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U.S. CUSTOMS SERVICE PROPOSED PERSONNEL REDUCTIONS

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BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

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SPECIAL HEARING

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U.S. CUSTOMS SERVICE PROPOSED PERSONNEL REDUCTIONS

MONDAY, APRIL 25, 1983

U.S. SENATE,
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE
AND GENERAL GOVERNMENT,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:30 a.m., in room SD–192, Dirksen Senate Office Building, Hon. James Abdnor (chairman) presiding.

Present: Senator Abdnor.

CONGRESSIONAL WITNESSES

Senator ABDNOR. The subcommittee will come to order.

I guess we will show that we are a prompt committee. We started out at 9:30 on a day when the Senate is not in session, but we welcome you all to our session today.

We are going to discuss in detail the impact the fiscal year 1984 budget request will have on the ability of the U.S. Customs Service to perform its mission. Our earlier meeting with the Customs Service did not give the subcommittee an opportunity to delve as deeply into the administration's proposal as we had wished. Therefore, we have asked the Customs Service to return today to explain to us in detail what would have to be accomplished to effectuate a reduction of 2,000 positions in fiscal year 1984.

I have great confidence in the people who serve in the Customs Service. They do an outstanding job in what are quite often difficult circumstances. Their expertise is unmatched. Many strides have been made to facilitate their job. However, I must state I view with great skepticism the testimony I have received from the Department of Treasury which indicates the Customs Service will be able to do a better job with 2,000 fewer people.

You all know I am considered somewhat of a conservative, but I am also very practical, and I cannot believe the Customs Service, which is being given more responsibility this year, can continue to do its job if its ranks are systematically reduced. I could go on but I believe we should proceed. I think I have made enough of an opening statement here.

We have some very interesting witnesses to testify today. But I can safely say I am not the only one in the Congress who feels this way. That is indicated by the Members of Congress who have requested the opportunity to testify today. Several others, Members of Congress, have submitted statements because they are not able to be here so we will make those statements for those who are unable to come, those statements will be made a part of the record.

So, with that, we welcome everyone to our meeting, and we will start off with my good friend, the Congressman from Florida.

STATEMENT OF HON. CHARLES E. BENNETT, U.S. REPRESENTATIVE FROM FLORIDA

IMPORT SPECIALISTS TO REMAIN AT PORT OF JACKSONVILLE

Mr. BENNETT. Thank you very much for this opportunity to be with you. We missed you over on the House side but we are glad to see that you seem to fit very well in the seat over here. You are doing a magnificent job.

What we are doing today, at least what has been suggested by the Department, is like having a filling station and a garage, and firing the mechanic. We have a great need for these people.

I appreciate this opportunity to speak on behalf of legislation which would insure that the five U.S. Customs Service Import Specialists be allowed to remain at the Port of Jacksonville, Fla., which I represent in the House of Representatives.

Jacksonville is one of the most important ports of the United States and for many years there have been five customs import specialists there to handle the varied type of cargo that comes in; both general cargo and bulk cargo. General cargo includes such items as seafood, plastics, chemicals, furniture, canned foods, many kinds of fabricated steel products, machinery, insecticides, clothing, bicycle parts, and a host of other very specialized imports.

If these specialists are not present to approve the imports under our very complicated laws about such imports, the people who do the exporting to the United States will find other ports where such Customs officials are present. Otherwise, they may be faced with a bill from the Customs Service for double or triple the duty already paid, and sometimes after the merchandise has been sold. People in commerce do not want to take that type of risk.

The removal of these specialists from the Port of Jacksonville would be a direct and very detrimental blow to the port, which incidentally is expecting to put $142 million into local funding inport facilities in the next few years; an investment which is expected to create more than 32,000 jobs in the port area. This facility expansion is projected as the result of a major study undertaken by the city and conducted by Plantec Corp. and only just recently completed.

The Port of Jacksonville is perhaps the oldest port in what is now the United States since it started exporting and importing in the 16th century before most of our early settlements were even thought of. At the present time it is competitive with other southern ports. Its import duty collections for fiscal years 1981–82 were $154.5 million, as compared with Tampa's $101.5 million and Charleston's $125 million during the same period.

Despite these facts, the U.S. Customs Service proposed to move all of these specialists away from Jacksonville into Tampa and Miami. It has recently relented to allow three to stay in Jacksonville, but has still proposed to reduce the number from five to three specialists. I have asked the Customs Service to postpone any reductions until after the receipt of a GAO report requested by Senator Baucus analyzing this subject on the proposed reform of their services. I have also asked for substantiation in writing of any savings that could be expected to be achieved through the plan to reduce the personnel at Jacksonville. I have yet to receive any such information. Since the specialists are not to be fired but only to be moved away, I see no savings.

In view of what I have said, I would sincerely appreciate it if your committee could see to it that the five Customs Specialists previously assigned to Jacksonville remain there. I think what I recommend is in the interests of the United States and its economy, as well as the Port of Jacksonville, and I think it is fair and proper in view of the past record of Jacksonville and its plans for the future. It would be seriously hurt by this shifting of personnel and with no real savings for the Federal Government.

Mr. Chairman, I appreciate your kindness in letting me appear before you, and I hope that you will be able to enact this legislation.

Senator ABDNOR. Thank you, Congressman Bennett.

We have some of the same concerns about the ports, and that is exactly why we are holding the hearings today. And I do not want to impede Customs from doing its job, but it ought to be explored cautiously and carefully to make sure that we are not making any mistakes.

In the case of Jacksonville, was that closed down, that port, altogether?

Mr. BENNETT. It would not close down the port altogether because it is a large port in the southern area. It is the largest port in the world in the importation of automobiles. There is no other port compared with it. Right now Jacksonville is a major port in the importing of other things such as these specialists deal with. These specialists deal with things like antique European furniture, and Jacksonville imports quite a bit of that. This port has a very wide type of importation. These specialists have to do with unusual things like that, rather than the other types of cargo, which I mentioned, like automobiles, which do not require that type of specialists. It is the specialists that are moving away and possibly with them this other cargo. I think this removal would deny the ability to bring in things of the nature that I refer to, and therefore would gradually over a period of years dry the port up as far as that type of importation is concerned.

I do not believe that the port in Jacksonville could be killed entirely as a port.

Senator ABDNOR. It would have quite an effect.

Mr. BENNETT. Very much. Because importers would go to other places where these specialists are. In other words, if you are going to import antique furniture, et cetera, you would have to go to Charleston or Tampa, which has less business than Jacksonville, and that is where these specialists are going to be moved to. That does not make sense.

Senator ABDNOR. Congressman Bennett, I really appreciate your coming over this early on Monday morning.

Mr. BENNETT. It is a pleasure for me to see a House Member that I enjoyed so much the friendship of in the House doing such a magnificent job that you have done here.

Senator ABDNOR. You are very, very kind. I appreciate that.

PREPARED STATEMENTS

You may want to know that Senator Chiles could not get back, but he is submitting a statement.

Mr. BENNETT. And Senator Hawkins has been active in this who also has a statement.

Senator ABDNOR. Oh, yes.

So thank you.

[The statements follow:]

Statement of Senator Lawton Chiles

A great deal of credit goes to Senator Abdnor, the Chairman of the Senate Appropriations Subcommittee on Treasury, Postal Service and General Government for his foresight in calling these hearings today. Chairman Abdnor along with Senator DeConcini and Congressman Roybal originally requested that the Customs Service not proceed with the first round of this consolidation proposal until after these hearings and until after the Subcommittee had the opportunity to fully consider the matter. I still believe that this would have been a preferable approach, one that would not hamstring Congressional decision making with a partially implemented scheme. We have spent a great deal of time with Commissioner Von Raab and other Customs officials in resolving problems in Jacksonville that could have been avoided if the agency had followed Senator Abdnor's original proposal.

As one member who once served as Chairman of this Subcommittee, I have a real fondness for the Customs Service and an understanding for the importance of the agency. Some of my colleagues, I am sure, recall that it was the second act of the First Congress that created a system of tariffs and authorized the establishment of the Customs Service. The Customs Service has operated for many years and served the Nation well in a non-partisan fair and even-handed manner.

I am not prepared before we can review the information developed by these hearings to pre-judge the overall proposal to eventually consolidate all import specialists into six locations. This, of course, would result in the elimination of 230 import specialists and save $11 million annually. Such a consolidation may work more effectively and in fact provide all the necessary services and permit the continuation of a timely flow of commerce. On the other hand, importers, brokers and port officials are accustomed to dealing directly with import specialists, and many are greatly concerned

WITH THE PROPOSAL AND FEEL IT WOULD BE SLOWER AND LESS RESPONSIVE. IF SUCH WOULD BE THE RESULT, THE PLAN SHOULD BE OPPOSED. UNFORTUNATELY, WE MAY NOT KNOW FULLY WHETHER OR NOT IT WILL WORK UNTIL IT HAS ACTUALLY BEEN TESTED. IN MY VIEW, WE SHOULD MOVE FORWARD SLOWLY AND TEST THE PLAN AT EACH STAGE CAREFULLY BEFORE RUSHING TO FULL IMPLEMENTATION.

EACH STEP MUST BE TAKEN IN A FAIR AND EVEN-HANDED MANNER SO AS NOT TO PENALIZE OR DISADVANTAGE ONE OF A FEW PORTS BY PUTTING THEM AT A COMPETITIVE DISADVANTAGE WITH THEIR SISTER PORTS. THE ARBITRARY DISTORTION TO THE PATTERNS OF COMMERCE THAT WOULD RESULT FROM SUCH STEPS CANNOT BE ACCEPTED. I HAVE BEEN DISAPPOINTED BY THE CUSTOMS SERVICE INSENSITIVITY TO SUCH CONSIDERATIONS.

THE CASE OF JACKSONVILLE IS ONE SUCH EXAMPLE. INITIALLY THE CUSTOMS SERVICE HAD PROPOSED TO WITHDRAW ALL IMPORT SPECIALISTS FROM JACKSONVILLE. THIS WOULD HAVE MADE JACKSONVILLE THE ONLY PORT FROM MAINE TO TEXAS WITHOUT IMPORT SPECIALISTS. FINALLY THE CUSTOMS SERVICE AFTER MANY INTERIM PROPOSALS ALL OF WHICH WERE REJECTED BY JACKSONVILLE AND FLORIDA DELEGATION AGREED TO LET THREE IMPORT SPECIALISTS REMAIN IN JACKSONVILLE. IT WAS DISAPPOINTING TO ME THAT THE SIMPLE LOGIC OF THIS MATTER WAS SO DIFFICULT TO IMPRESS ON THE CUSTOMS SERVICE. FOR THE TIME BEING, AT LEAST WE HAVE REACHED A SATISFACTORY RESOLUTION.

IN ADDITION TO JACKSONVILLE, I HAVE ALSO HEARD FROM THE CHAMBER OF COMMERCE IN BROWARD COUNTY REGARDING THE LOSS OF THE IMPORT SPECIALIST AT PORT EVERGLADES. SPECIAL ATTENTION WILL NEED TO BE MADE BY THE CUSTOMS SERVICE TO INSURE THAT THE LOSS OF THIS IMPORT SPECIALIST DOES NOT SLOW TRADE THROUGH PORT EVERGLADES OR UNFAIRLY INCONVENIENCE THOSE INVOLVED IN BUSINESS AT THAT PORT. IF IT DOES NOT WORK WELL, WE MUST INSIST THAT THE IMPORT SPECIALIST BE RETURNED.

WE WILL ALSO INSIST THAT THE THREE IMPORT SPECIALISTS REMAINING IN JACKSONVILLE NOT BE REMOVED UNTIL AFTER A FULL

CONSULTATION WITH ALL INTERESTED MEMBERS OF THE FLORIDA DELEGATION, AND EVEN THEN IT COULD ONLY BE AGREED TO IF JACKSONVILLE WERE BEING TREATED IN A SIMILAR FASHION AS ARE OTHER PORTS ON THE EAST COAST.

I HAVE ONE FINAL MATTER FOR THE RECORD. TODAY THE U.S. CUSTOMS SERVICE IS EXPECTED TO MAKE PUBLIC THE SO-CALLED ELLIS PLAN. THIS PLAN HAS, OF COURSE, BEEN IN DRAFT FORM SINCE LAST FEBRUARY, AND RUMORS ABOUT IT HAVE LEAKED TO ME REPEATEDLY SINCE THAT TIME. PART OF THIS PLAN WOULD BE TO CLOSE THE MIAMI AND NEW ORLEANS REGIONAL OFFICES AND MOVE THEM TO ATLANTA. THE LAST TIME THE CUSTOMS SERVICE ATTEMPTED THIS WE WERE FORCED TO PROHIBIT SUCH A MOVE IN LAW. IF THE RECOMMENDATIONS IN THE ELLIS PLAN ON THIS MATTER ARE SERIOUSLY PURSUED, THE AGENCY MUST REALIZE THAT IT WILL ALMOST CERTAINLY BE BLOCKED AGAIN BY LEGISLATIVE PROHIBITIONS. WE CANNOT LET THE CUSTOMS SERVICE WHICH PLAYS SUCH AN IMPORTANT LAW ENFORCEMENT AND DRUG INTERDICTION ROLE MOVE AWAY FROM MIAMI, THE VERY CENTER OF THE WAR AGAINST ILLEGAL DRUG TRAFFICKING.

STATEMENT OF SENATOR PAULA HAWKINS

I WOULD FIRST LIKE TO COMMEND THE SUBCOMMITTEE FOR HOLDING THESE VERY TIMELY HEARINGS ON THE PROPOSED REDUCTION OF 2,000 POSITIONS FROM THE U.S. CUSTOMS SERVICE IN FISCAL YEAR 1984. AS THE SUBCOMMITTEE IS AWARE, I HAVE LONG BEEN INTERESTED IN CUSTOMS' VITAL ROLE IN LAW ENFORCEMENT, PARTICULARLY IN SOUTH FLORIDA, AND HAVE VIGOROUSLY SUPPORTED CUSTOMS' EFFORTS TO EXPAND ITS ANTI-SMUGGLING ACTIVITIES IN THE SOUTHEASTERN UNITED STATES. FOR THIS REASON, I AM ESPECIALLY WARY OF ANY PLANS TO REDUCE CUSTOMS PERSONNEL IN MY STATE AND MUST ASSUME THAT HAVING SUCH A LARGE PRESENCE OF CUSTOMS EMPLOYEES IN FLORIDA TODAY, WE WILL BE PARTICULARLY HARD HIT BY A CUTBACK OF THE SIZE PLANNED BY THE ADMINISTRATION.

MR. CHAIRMAN, THE FY 1984 BUDGET REQUEST CALLS FOR A REDUCTION OF 820 CUSTOMS INSPECTORS, 300 IMPORT SPECIALISTS, AND

100 PATROL OFFICERS, OF A TOTAL OF 4,000 INSPECTORS, 1,000 IMPORT SPECIALISTS, AND 1,000 PATROL OFFICERS. IN LIGHT OF THE EPIDEMIC LEVEL OF NARCOTICS TRAFFIC ENTERING THE U.S. ALONG THE SOUTHERN BORDER AND THE ENORMOUS CRIME WAVE WHICH SURROUNDS THIS $10 BILLION DOLLAR INDUSTRY, I MUST WHOLEHEARTEDLY OBJECT TO THESE CUTS. INSTEAD OF CLAMPING DOWN ON THE DRUG TRADE IN FLORIDA, THE ADMINISTRATION'S PLAN CAN ONLY SIGNAL TO THE CRIMINAL ELEMENT THAT A NEW OPEN DOOR POLICY IS IN EFFECT FOR TRAFFICERS IN ILLEGAL DRUGS.

APPROXIMATELY 90 PERCENT OF THE DRUGS ABUSED IN THIS COUNTRY COME FROM ABROAD, INCLUDING ALL OF THE HEROIN, COCAIN, HASHISH, AND 93 PERCENT OF THE MARIJUANA. AS I HAVE MENTIONED, THE REGIONAL IMPACT OF THE ILLICIT DRUG TRAFFIC IS PARTICULARLY SEVERE IN THE SOUTHEASTERN UNITED STATES. AN ESTIMATED 70 PERCENT OF THE COCAINE, 80 PERCENT OF THE MARIJUANA, AND 90 PERCENT OF THE QUAALUDES SMUGGLED INTO THE U.S. COME THROUGH FLORIDA, GEORGIA AND THE CAROLINAS. AGAIN, IN FLORIDA ALONE, THE DRUG TRAFFIC IS THE HIGHEST IN THE NATION, ESTIMATED AT $10 BILLION ANNUALLY.

MIAMI'S DRUG WARS HAVE BECOME A NATIONAL SCANDAL. LAW ENFORCEMENT AUTHORITIES ESTIMATE THAT BETWEEN 40 AND 60 PERCENT OF ALL SERIOUS CRIMES OCCURING IN THE U.S. DURING 1981 ARE DRUG RELATED. TO TURN OUR BACKS ON THIS PROBLEM WOULD ONLY ADD TO THE ALREADY UNCONSCIONABLE NUMBER OF CITIZENS WHOSE LIVES HAVE BEEN SHATTERED BY DRUG ABUSE AND DRUG RELATED CRIMES.

LAST YEAR, I WAS EXTREMELY PLEASED BY THE ADMINISTRATION'S DECISION TO MEET THE PROBLEM IN SOUTH FLORIDA HEAD ON WITH THE ESTABLISHMENT OF AN INTER AGENCY TASK FORCE TO COMBAT THE DRUG TRADE. AND I WAS HEARTENED BY THE APPOINTMENT OF THE VICE PRESIDENT OF THE UNITED STATES TO LEAD THIS EFFORT. THE ATTENTION PAID TO THE DRUG PROBLEM IN THE SOUTHEAST BY THE HIGHEST ECHELONS

OF OUR NATIONAL GOVERNMENT WAS INDEED AN ENCOURAGING SIGN THAT AN ONGOING COMMITMENT WAS BEING MADE TO REVERSE THE TIDE OF NARCOTICS SMUGGLING IN THE U.S.

I AM WELL AWARE THAT CUSTOMS HAS MADE AND WILL CONTINUE TO MAKE ASSURANCES THAT THE CUTS PLANNED WILL HAVE NO EFFECT ON ITS ANTI DRUG EFFORTS, AND THAT AUTOMATION AND GREATER SELECTIVITY AND NEW ENFORCEMENT TECHNIQUES WILL OFFSET THE REDUCTION IN PERSONNEL. INDEED, COMMISSIONER VON RAAB HAS MADE TREMENDOUS PROGRESS IN THE WAR AGAINST DRUGS THROUGH BETTER ADMINISTRATION AND MORE EFFICIENT USE OF EXISTING MANPOWER AND EQUIPMENT AND I AM PERSONALLY GRATIFIED BY THE MARKED INCREASE IN DRUG ARRESTS AND SEIZURES THAT WE HAVE SEEN DURING COMMISSIONER VON RAAB'S TENURE. HOWEVER, I FEEL THAT THERE IS A LIMIT TO THE ACHIEVEMENTS THAT CAN BE MADE THROUGH BETTER ADMINISTRATION AND GREATER EFFICIENCY. MR. CHAIRMAN, I BELIEVE THAT UNTIL CUSTOM'S CLAIMS CAN BE BORNE OUT WE WOULD BE GAMBLING WITH THE HEALTH AND SAFETY OF OUR COMMUNITIES TO MAKE THESE CUTS THIS YEAR.

AGAIN, I WOULD LIKE TO THANK THE SUBCOMMITTEE FOR GIVING ME THIS OPPORTUNITY TO APPEAR TODAY, AND I ONCE AGAIN URGE YOU TO REJECT ANY CUT IN CUSTOMS STAFFING LEVELS IN FY 1984. IF ANYTHING, WE NEED MORE MEN AND WOMEN POLICING OUR BORDERS, NOT FEWER.

Senator ABDNOR. Our next witness is Congressman Clay Shaw of Fort Lauderdale. Good to have you here today. You have the same problems down in Fort Lauderdale.

STATEMENT OF HON. E. CLAY SHAW, JR., U.S. REPRESENTATIVE FROM FLORIDA

CENTRALIZING IMPORT SPECIALISTS

Mr. SHAW. Yes, sir. I support the move to economize in Government. However, there are some moves that concern many of us.

This morning, even though I am zeroing in with my remarks on one particular area, that is the import specialists, I do want to express concern over any reduction of any significance to the Customs Service in this country. I think that it is vitally important for a number of reasons that we keep the Customs Service intact, and that we not whittle it down.

I feel very strongly that this policy of centralizing import specialists is unfair and is not being applied consistently.

The program arbitrarily makes some ports full service ports and some less than full service ports.

The program creates competitive advantages for the ports that keep their import specialists, and puts the ports that lose their specialists at a competitive disadvantage.

The first phase of this program treats large and growing ports, like my own Port Everglades and Jacksonville, the same as small landlocked entry ports like Eagle Pass, Tex., and Sweet Grass, Mont.

The program does not take into account whether a port is primarily an import-oriented port, or primarily an export-oriented port. Import specialists are, of course, not necessary for exporting.

This program will cause costly delays and inconvenience to importers and customhouse brokers.

Ports that are losing import specialists will be less attractive to importers and customhouse brokers.

The U.S. Customs Service originally misrepresented the centralization program.

Customs said the program would work and that there would be no exceptions, negotiations, or accommodations. Events of the last few months have simply borne out the fact that this is not true. There have been considerable exceptions made.

Customs said the import specialists would be replaced by something called import generalists, which would be a watered-down import specialist.

How are we saving money if we are replacing a specialist with a generalist? Where is the savings?

So far, import generalists are largely not in place, and where they have been installed, they have been a failure.

PORT EVERGLADES

We must keep our ports, all of our ports, competitive with each other. My concern is that this centralization program will put Port Everglades at a severe disadvantage with other ports in Florida and on the east coast for a number of reasons:

Port Everglades has only one import specialist at this time.

This program would leave Port Everglades as the only major port in Florida and south of Norfolk, Va., without an import specialist.

The effect of this program on Port Everglades will be extremely detrimental and is already being felt.

A New York customhouse broker has put his decision to locate at Port Everglades on hold pending the outcome of this situation. He does not want the hassles of sending his paperwork to Miami, which is some 25 miles to the south.

Port Everglades will lose business to Miami if they lose their import specialist.

Port Everglades is strictly an import-oriented port with 93 percent of its business in importing.

Only about 50 percent of Miami's business is importing and yet Miami currently has approximately 16 import specialists. If Customs goes ahead with its program of centralization, Miami will get Port Everglades' specialist also.

Jacksonville has three import specialists to Port Everglades' one, yet Jacksonville only imports one-tenth the tonnage that Port Everglades does.

Since Port Everglades is primarily an import-oriented port, this centralization program of Customs will be very detrimental to Port Everglades.

The well-being of Port Everglades is vitally important to the economic health of Broward County and all of south Florida. Senator, it is quite a remarkable port.

Port Everglades is the fastest growing port in south Florida.

Broward County taxpayers have poured over $40 million into the development of Port Everglades.

Port Everglades had Florida's first foreign trade zone.

Port Everglades was the first south Florida port to have two fully operational container cranes.

Port Everglades is the deepest port south of Norfolk, Va.

Port Everglades has the shortest distance from port to open water of any port in Florida.

Over the past two recession filled years, Port Everglades' imports have increased over 70 percent.

The projected increase for this year is over 40 percent.

Port Everglades has been a leader in the past and will be a leader in the future.

Port Everglades is clearly the container port of the future and for south Florida.

I think that there are a number of economies that have to be made, but I think that this one is one that is not well thought out, and I do not think it is being well executed, and I would certainly hope that the Senate would give south Florida and Broward County and Port Everglades its assistance in obtaining a specialist. And I would say to you, Senator, that maybe we should be looking to increasing that amount rather than decreasing it.

Senator ABDNOR. I want to thank you, Congressman Shaw, for your very convincing statement. Obviously the port is extremely busy and doing well. They are increasing by that percentage of economic growth, suffering the way it is elsewhere.

Now, for the present status, you have one import specialist down there?

Mr. SHAW. Yes, sir, we only have one.

Senator ABDNOR. And they want to take that one and send him to Miami?

Mr. SHAW. Yes, sir. That would leave Port Everglades without an import specialist.

Senator ABDNOR. What is an import generalist? I should know that, being on the committee, but what is that?

Mr. SHAW. Well, perhaps I should know more, but we have not had any experience with that position. The fact is that we are talking about replacing these people with other personnel, which does not make good economic sense. I think the expression that our President uses quite often is, "If it ain't broke, don't fix it." I think that is what we have in Port Everglades. We have significant growth, we have a port that is thriving, we have a community that has supported it, support by pouring $400 million of local funds into this particular project.

It is off and running, having experienced in the last 2 years, a 70-percent growth, and I think it would indeed be a mistake to in any way change the situation which could impede the growth of a most important and most well laid out plan.

Senator ABDNOR. Now, 93 percent of the trade is importing?

Mr. SHAW. Yes, sir.

Senator ABDNOR. How does that total value of the imports—how does that relate to Miami? Maybe you can just give me that for the record later on.

Mr. SHAW. I will submit that for the record later on. I do not know what the total percentage of tonnage of Miami is. I can give you the total tonnage for Port Everglades, 11.6 million tons in 1982. I do not know the figure for Miami.

[The information follows:]

CUSTOMS SERVICE SITUATION IN SOUTH FLORIDA

For 1982, the Port of Miami imported approximately 30.5 million tons of cargo. This compares to 11.6 million tons imported at Port Everglades. Even though Miami is a larger port and imports three times the tonnage that Port Everglades does, I do not believe this justifies removal of our import specialist to Miami. This becomes more apparent when you consider the approximately 16 import specialists already located in Miami.

During my testimony I made reference to the use of import generalists. An import generalist is a position created by the Customs Service to help ease problems that are caused by the centralization program. An import generalist would have authority to sign-off on and clear certain types of general cargo merchandise that would normally be handled by an import specialist. A generalist would have some, but not all, of the authority a specialist has. In a sense, an import generalist is a watered-down import specialist. Customs has tried, unsuccessfully, to use import generalists at some ports where the import specialist has been removed.

Senator ABDNOR. That is fine.

Well, Congressman Shaw. I assure you that we are just as interested in what is happening here, too, and we are going to look at this very carefully and thoroughly before any decisions will be reached.

I certainly appreciate your coming here on a Monday morning to testify, and I thank you.

Mr. SHAW. Thank you very much.

Senator ABDNOR. Our next witness is Congressman Ron Wyden.

Congressman, since I last had you up here before me, I am wearing a different hat. We were talking about ports, and now we are talking about—well, ports still.

STATEMENT OF HON. RON WYDEN, U.S. REPRESENTATIVE FROM OREGON

PORTLAND, OREG., DISTRICT OFFICE

Mr. WYDEN. I remember that, as well, Mr. Chairman, and it really was a great pleasure for all of us in Portland to be able to take you on that tour of the Bonneville Locks.

Senator ABDNOR. It was very enjoyable and a good experience. It gave me a lot of background for it, too.

Mr. WYDEN. It was very considerate of you to spend the time on the tour, and I appreciate your giving me the chance to testify here today.

Last December, with the help and assistance of Chairman Roybal and Congressman Miller, I offered on the floor of the House an amendment to the Treasury appropriations bill that would have prevented the Customs Service from using any funds to close the Portland, Oreg., district office or from taking any other action to reduce or consolidate the functions of that office. That amendment—which I offered after learning of plans to consolidate the appraisement section of the Oregon district office and then reduce the number of import classification specialists—was unanimously approved by the House on a voice vote.

When time did not permit completion of a separate fiscal year 1983 appropriations bill for the Treasury Department in the 97th Congress, a similar amendment was added to the continuing resolution, thereby insuring that Portland and seven other Customs Offices would be off limits to any plans by the Customs Service that would reduce the services at these offices. I very much appreciate the diligence of Senator Hatfield and your subcommittee, Mr. Chairman, under your leadership, particularly in making sure that Portland was included in that list during the last hectic days of the 97th Congress.

As you know, Mr. Chairman, that amendment is going to expire at the end of this fiscal year, and thus represents only a temporary prohibition on downgrading of those offices. If necessary, I fully intend to do everything I can to make sure that prohibition is renewed in the next Treasury appropriations bill. There are a lot of rumors that are now circulating about pending Customs Service consolidation.

Mr. Chairman, just last Friday, my staff and I learned that a specific proposal has now been developed that would eliminate at least some, and probably all of the import classification specialists in the Portland office, even worse it literally would make our city, Portland, a suboffice of Seattle. Our traders and exporters are very much concerned about this.

I think you would agree with me, Mr. Chairman, that this kind of piecemeal approach is not the best approach to a very significant kind of problem, and I think it is terribly important to try to look at this issue from a national perspective, and make sure that the Customs Service continues to have the resources and personnel necessary to efficiently perform at a time when all across the country we are trying to expand international trade.

From a national perspective, I for one cannot see absolutely any logic in any proposal to reduce our Customs operations. Our economy is becoming more interdependent with the economies of other nations throughout the world. We are moving toward an unprecedented level of international trade. It just seems to me if we are going to compete in that kind of global marketplace we have to make sure that we have adequate resources to do the job efficiently.

I would also like to say, Mr. Chairman, from a truly regional perspective, just taking a region of the Northwest, any reduction in services of the Oregon Customs Service Office would just be devastating at this time when there is literally a full throttle effort in Oregon to diversify our economic base, and thereby become a world-class trading center.

Our timber base economy, as you know from the time that you spent in Oregon, is devastated by this recession, so most of us feel that this is the time, this is really the period when we have to move into trade and exports. We have got a magnificent waterway transportation system, we now have the opportunity to tap those opportunities for expanding international trade.

INTERNATIONAL TRADE IN OREGON

Recent Customs Service figures and others have clearly shown that international trade is already becoming increasingly important to Oregon. The Port of Portland is, on a tonnage basis, the largest export port on the west coast. On the import side, duties collected by the Oregon Customs District Office increased from $90 million in 1978 to $120 million in 1980, and then skyrocketed to $161 million in 1981. Our Customs Office is now the 17th largest district in the country. Only three of the offices anywhere in the United States had a larger percentage increase in the last 3 years than we did, and the level of increase between 1980 and 1981 was exceeded only by one city, Houston.

So any consolidation by the Portland office with any other Customs office would clearly result in increased costs and time delays for Portland traders, at a time when we could least afford it. The Customs officials in Portland have established a high level of hands-on expertise in appraising and assessing duties on long-established Oregon product lines.

All of the Columbia River ports in Oregon and southwest Washington serviced by the Portland district office have that kind of history of providing excellent service.

I think it is also important to remember that international trade is a two-way street. If you have a reduction in import services in Portland, fewer carriers would service the Columbia River ports, this would hurt both exporters and importers. It is a two-way street. Without a strong import base, vessels will not call, and exporters will be forced to look to other west coast ports for their shipping needs. Imports draw ships that, rather than leave empty, pick up electronics equipment, lumber, paper, and agricultural products. A full line of Oregon products.

So I cannot emphasize enough, Mr. Chairman, how important this is to Oregon and the Columbia-Snake River Basin. We feel it is a unique opportunity, and I would like to touch on just one last idea, Mr. Chairman, and then I will finish up.

I understand that we have to look at efficiency in this area, both from a regional and from a national perspective, and I do not think we should just say no, no, Nanette, that there should not be any kind of reorganization whatsoever, assuming that it would ultimately enhance rather than detract from the present system.

So what I would like to do is just offer one very quick suggestion, Mr. Chairman. It seems to me that it is inexplicable that we have some of the offices serving some of the States that we now have on the national system. For example, the State of Idaho is included in the Chicago Customs District Office. It would seem to me to make much more sense for the entire Columbia-Snake River Basin to be included in just one Customs district. We could call it the Columbia River Customs District, for example. It might even include parts of Montana and Wyoming. They are now included in the Chicago district. These areas now ship increasingly significant amounts of bulk cargo by truck or rail to Lewiston, Idaho, and other inland ports. The cargo then is loaded on barges and transported down to Columbia, to Portland, and other ports, and I think it would be a natural to create a Columbia River Customs District and recognize the fact that the river system is one district, unique, major transportation harbor that really sets it apart from other west coast regions, and other west coast ports.

It is a trading up, not just for those of us in the Northwest, but to the whole country, and for that reason I think it would be a key to expanding international commerce flowing in and out of the Northwest.

So let me with that, Mr. Chairman, conclude. I also have a letter written to you on this matter that I would like to have made part of the record, authored by my friend and colleague, Bob Smith of eastern Oregon, who shares my concerns, and let me finally say that——

Senator ABDNOR. Well, without objection, that will be made a part of the record.

[The information follows:]

LETTER FROM ROBERT F. (BOB) SMITH, U.S. REPRESENTATIVE FROM OREGON

APRIL 22, 1983.

HON. JAMES ABDNOR,
Chairman, Treasury, Postal Service and General Government Subcommittee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your offer to participate in the Appropriations Subcommittee on Treasury, Postal Service and General Government hearings on the proposal by the U.S. Customs Service to reduce 2,000 personnel.

I am opposed to any plans to consolidate the appraisement section of the Oregon division office with any other office, relocate import classification specialists from the Oregon office or downgrade the Oregon office in any other manner.

Any consolidation of the Portland Customs Office with any other office would result in increased costs and time delays for Portland traders. Many of the Customs officials in Portland have established a high level of expertise in handling long established Portland and eastern Oregon product lines.

A downgrading of the Customs Service operations in Oregon would be a serious blow to efforts to make Portland a major international trading center. Oregon's economy is in desperate condition and with our heavy dependence on timber industries, we see little hope for quick recovery.

Any move by the U.S. Customs Service to downgrade or otherwise reduce their presence in Oregon will seriously hamper our attempts to see that Oregon develops and maintains the ability to function as a full-service international trading center.

Your attention to this matter is appreciated. Please don't hesitate to contact me if I can provide you with any additional information.

Very truly yours,

ROBERT F. (BOB) SMITH,
Member of Congress.

PREPARED STATEMENT

Mr. WYDEN. Thank you, Mr. Chairman. Nobody has done more than Chairman Hatfield has done to strengthen the trading base of the Northwest, and I visited with him on Friday, telling him I was interested in coming down, and he said you tell Chairman Abdnor I sent you.

Thank you very much for that.

Senator ABDNOR. Thank you.

I might say that we have been handed a statement on behalf of Senator Mark Hatfield that will be made a part of the record.

[The statement follows:]

STATEMENT OF MARK O. HATFIELD, U.S. SENATOR FROM OREGON

First of all, I want to commend you for holding this hearing today on the proposed reorganization plan of the Customs Service. To date, information on this plan has been most difficult to secure as the Customs Service has been less than forthcoming on its proposed actions. I am hopeful that the subcommittee will be able to obtain today a full and complete description of all changes in the levels of personnel and status of district offices being contemplated by the Customs Service in this plan.

It has come to my attention that the Oregon Customs District Office is one that is being proposed for a change in status and personnel under this plan. As you are probably aware Mr. Chairman, this is not the first time such an action has been suggested by the Customs Service. Last year the Oregon delegation caught wind of a similar proposal and joined with other States in offering an amendment to the continuing resolution to preclude the Customs Service from going forward with this change. I believe the case for Oregon retaining its district status is just as strong this year as it was last year and I will strongly oppose this effort.

All one needs to do is examine the growth of revenues collected by the district office in Oregon to see that it is an office worthy of being retained. It is currently the 17th largest district in the United States with total revenues collected in 1982 of $154 million. To my knowledge, that would make it the largest district office being considered under this plan for downgrading in status.

While revenues collected in 1982 are down slightly from the $161.5 million collected in 1981, that reduction is an aberration compared to recent trends. Duties collected rose from $89.8 million in 1978 to $120 million in 1980, which represents approximately a 30-percent jump in 2 years. An even more dramatic increase was experienced from 1980 to 1981 as revenues jumped 35 percent. This increase was well above the national average and was, in fact, exceeded only by Houston, Tex.

Any consolidation of the Oregon district office will result in time delays and increased costs for Portland traders and brokers, especially where there are items in question and face to face interaction with an import specialist is needed. In addition, there would be a significant loss to Portland in Customs Service expertise as there currently exist personnel that are very familiar with long established Portland trading lines, as well as import items peculiar to Oregon.

Looking beyond strictly a statistical picture, any downgrading of service to the Oregon Customs District Office would be a devastating blow to Oregon. It totally ignores the fact that the Port of Portland and southwest Washington represent a trading area and a growing international trading center. The Columbia River system is a distinct transportation area from Seattle or San Francisco and has sufficient trade to warrant full Customs Service rather than be relegated to port-of-entry status.

The impact of such an action would be monumental to an area that is already hard hit by an economy devastated by its dependence on the housing and timber industries. Every effort is being pursued by the region to diversify its economy and lessen its reliance on these industries. These efforts have been increasingly successful and there remains tremendous untapped potential in trade with the Pacific Rim countries.

However, to be successful in this endeavor Oregon must maintain its status as a full service Customs district. To increase the exports of goods from Oregon, it must have the ability to handle steamships and other container ships that carry imports to the United States. These imports will flow to Oregon only if there is a certainty of being able to interact with import specialists and other key personnel face to face, rather than through a computer and to have a timely resolution of any problems that may arise. Without these imports, there will be no ships capable of carrying exports from the region and traders and brokers would be forced to transport their goods to Seattle at a significant cost to them and consumers, not to mention the affect this would have on efforts to diversify and increase trade from the region.

For these reasons, I oppose any action to reduce or consolidate the personnel, programs or functions of the Oregon district office with any other office. I want to make the Customs Service and this subcommittee aware that I will do all that I can to insure that no change in the status of the Oregon district office occur. Maintenance of a full-service Customs Service district office is essential to the economy of Oregon and the southwest Washington region.

Senator ABDNOR. Let me assure you your statement and this one will be given great consideration.

As you all know, with respect to Senator Hatfield, he is chairman of this overall committee.

I appreciate your very, very knowledgeable statement here. Certainly Oregon ports seem to be doing very well. Yours is all exports as well as imports?

Mr. WYDEN. That is correct.

Senator ABDNOR. More export actually?

Mr. WYDEN. Well, we like to go full blast in both areas, and I think that highlights the point about trade being a two-way street. In the Northwest, when those import ships come in, we do not want them to leave empty, and they can go out with high tech equipment and agricultural products. Particularly if we could be recognized as one unique water body, I think we could really show how trade could be a two-way street in the Northwest, and particularly out in the Columbia River.

Senator ABDNOR. Thank you, Congressman. We will give this very careful consideration I can assure you.

Our last witness is Congressman Jim Moody of Wisconsin.

Congressman Jim Moody, we welcome you to the committee.

STATEMENT OF HON. JIM MOODY, U.S. REPRESENTATIVE FROM WISCONSIN

Mr. MOODY. Thank you very much, Mr. Chairman. I am pleased to be here this morning.

I was not expecting to be in Washington today, but I met with some people in my district over the weekend, who impressed upon me the urgency of this issue, so I flew back ahead of schedule and consequently I do not have a prepared statement. However, I can submit something for the record later on.

Senator ABDNOR. You can do either way. You can submit a statement afterward and we will take your oral testimony now.

MOVING OR CLOSING CUSTOMS OFFICES

Mr. MOODY. Thank you.

I have an item or two that I should leave with you. I have several points to make, and I hope I am not repeating anything that was said before I arrived.

My first point is that moving or closing customs offices down does not represent a real savings to the Government. It has a very strong regional impact. Nor is it a neutral act by Government. We always, of course, want to save unnecessary costs to the Government whenever feasible. But I think it is important to remember the purpose of Government. The Government is there to serve and perform certain necessary functions. The customs function is one of those which dates to our earliest history.

To assure a regional balance of trade around the country, we need Customs activities in numerous locations. You cannot simply consolidate the Customs Service to several locations without causing a severe impact on the regional economies.

This is not just an alleged savings of money, since there are severe regional dislocations, inherent these proposed consolidations. We are not being neutral with respect to, let us say, Milwaukee, Wis., vis-a-vis Chicago as a port of activity if we take the customs import specialists and stick them in Chicago.

We are firming this region——

Senator ABDNOR. This—we are talking about Milwaukee?

Mr. MOODY. I am sorry?

Senator ABDNOR. What customs port are we talking about?

Mr. MOODY. Milwaukee. I represent the city of Milwaukee. I am a new member, but I have already seen how important the Customs Service is to my district. Milwaukee would be losing its status as a Customs office to Chicago which, of course, is already one.

Allegedly, there aie some savings involved, but there are also some severe losses, when we count in this regional destruction, most of the losses will be felt by the private sector, but they are severe and cannot be ignored.

General Electric is one of the key industries in Milwaukee. GE has estimated that it would spend an additional $750,000 in extra effort, time, energy, and money, in handling and having to cope with the problem of having—the import specialists transferred to Chicago.

Other corporations and companies estimate substantial costs. The problem is difficult to quantify, and it is not an exact science, but these costs are estimated to be very high. So any decision like this has to take into account the costs to the private sector. Particularly when these local companies have made their investments, and made their arrangements, on the assumption that this Customs Service will be here ad infinitum. Now suddenly the Customs Service wants to close its Milwaukee operation.

It is not as though these companies are deciding whether to locate in Milwaukee. They have made this decision, they have an established presence there, and they are counting on these facilities.

So my first point is that such an action is not neutral with regard to the private sector, and to regional relationships. Milwaukee is a port of entry, it serves most of Wisconsin, except for the northern Lake Superior area. Otherwise, everything comes through Milwaukee. This move disadvantages one State vis-a-vis the others. It has severe regional ramifications and it cannot be viewed as cost saving, when both regional impacts and costs are taken into account.

CUTTING WORKLOAD IN MILWAUKEE AND CHICAGO

The second point I would like to make is that I am suspicious that the Government is actually saving much money. These customs specialists are very busy, both in Milwaukee and in Chicago. To move the appraisement and classification functions from Milwaukee to Chicago does not really cut the workload. Indeed, if it does cut the workload, then we are worse-off, since the exports of our region, and that includes Chicago and Milwaukee, are highly dependent on the imports.

A chemical company in my district brings in *x* amount of chemicals, mixes them as value, and exports the mix. There is a tremendous export business in my district. General Electric has to import from other parts of the country and from overseas its chemical components which are then exported.

If you make imports more difficult, then you are making exports more difficult. We are cutting off our noses to spite our faces. If we are going to lower the workload, then we are hurting ourselves by lowering international trade.

Yet nobody claims that these customs officials are underutilized. They are busy. The backlog in Milwaukee is becoming a serious problem. Import specialists in Milwaukee have been cut from six to two. We are not saving anybody work by merely moving people to Chicago. The specialists will have to do the same work at a longer distance with a lot more travel, and at a greater cost to industry.

Senator ABDNOR. Pardon me for interrupting you. Are we just going to transfer the people from customs to the Chicago office?

Mr. MOODY. Mr. DeAngelus claims that there will be some savings. My point is that if there are savings we still are not helping ourselves since we are hurting international trade. Every customs official earns his salary manyfold. So doess an IRS Tax Auditor. It is not really cost effective to do that.

I do not question whether customs officials are carrying their weight. In fact, estimates show that customs officials earn between $8 to $18 for every dollar that the taxpayers spend on their salary, and that they do yield a return and facilitate international trade. The private sector is not calling for this function of Government to be cut, but that this Government function be enhanced. This is very important.

So if we are actually going to cut Customs officials, then, Senator, we are cutting off our noses to spite our faces. They are busy. If they were not busy, then it would be another matter. I do not believe there is a redundancy problem.

We can demonstrate later through numbers that the backlog is serious, and that there is no redundancy of personnel.

The third point I would like to make is that both the Senate and the House ordered in the 1983 continuing appropriations—I was not here, I am a new member but I have read the documents—that no money should be used in the Treasury's budget to close the customs facility in Milwaukee. Both Chambers agreed to that language.

However, this consolidation is happening by the back door. There is a Federal hiring freeze in Milwaukee, and as people retire, and through attrition, the number of personnel is going down; meanwhile, specialists are being hired in Chicago.

IMPORT SPECIALIST VACANCY LIST

I have an internal notice of openings in Chicago for import specialists. This notice is called the import specialist vacancy list. This is the customs personnel document dated February 23, 1983—just a short while ago. These are openings that they were trying to fill.

Chicago, import specialists, GS-189-12, one or more. Chicago, import specialist, 1889511, whatever that means, three or more. So we have lost four specialists, and they are out advertising to hire four additional specialists in Chicago. That makes me wonder what is really going on here.

Are they really cutting down or is there a transfer by another name? Reducing in Milwaukee and then hiring in Chicago. Does that make any sense? Consequently, I question the savings.

I think it is important to recognize the severe impact of this move, which is not neutral. I think the Treasury Department and Customs is trying to accomplish, by the back door, what they have not been able to do through their proposals last year.

Senator ABDNOR. Congressman Moody, when you do submit your written statement, will you give us a copy of that for the record?

Mr. MOODY. I certainly will.

We will also, Mr. Chairman, include one example of a Milwaukee company—this is a handout General Electric prepared, showing how they are going to lose money, and incur much greater costs if consolidation takes place. This is the handout.

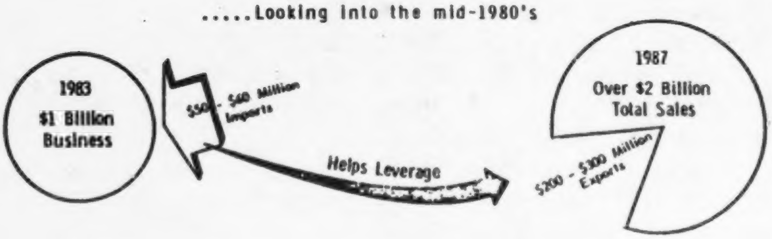
Senator ABDNOR. Fine. We will be very happy to have it.

[The information follows:]

GENERAL ELECTRIC COMPANY

MEDICAL SYSTEMS OPERATIONS

.....Looking into the mid-1980's



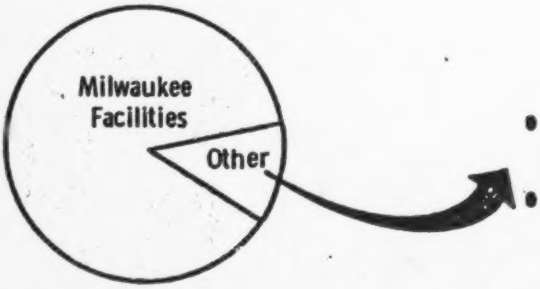
BUSINESS DYNAMICS

- Leading "Diagnostic Imaging" producer world-wide
- Largest Computerized Tomography facility in the world located in Wisconsin
- G.E. Corporate Applied Technology Center located in Wisconsin
- $25 Million invested in Milwaukee in last year
- Sales growth rate exceeds 20% per year

EXPORT SALES

- Tripled in last 5 years
- 2:1 to 4:1 ratio to imports
- One of highest business growth areas
- Technology driven along with "Manufacturing Presence" in Key foreign markets
- U.S. Government "Export Excellence" (E Star) Award
- Wisconsin Governor's Export Award
- Leveraged favorable balance of payments in "Diagnostic Imaging" Business

MILWAUKEE FACILITIES IMPACT



- Overseas facilities in Denmark, England & Spain
- Other U.S. facilities in Ohio & California

FACILITIES

- Over 80% G.E. facilities in Milwaukee area -- over 2 million sq. ft.
- World-wide Distribution Center in Milwaukee
- Vast majority of imports enter via Milwaukee
- Overseas components combine with U.S. goods in Milwaukee and shipped to hospitals world-wide
- Local manufacturing space more than tripled in past decade
- World-wide service center in Milwaukee -- new $17 million Parts & Repair Facility dedicated this month. . . . . a key to world-wide growth business
- Nuclear Magnetic Resonance (NMR) "technology of the future" being developed here

IMPORT DATA

	Now	Mid - 80's	1987
Entries	1500	2800	4000
Total Value	$50 Million	$95 Million	$130 Million
Duty Paid	$.8 Million	$1.5 Million	$2 Million

Product/Category	% Entries	% Value	% Duty
• Nuclear Imaging	20%	45%	50%
• Computerized Tomog.	20%	25%	25%
• X-Ray	20%	10%	20%
• Return Goods	40%	20%	5%

Conclusion

- Growing business with very complex products

CUSTOMS RELATED CONTACTS

U.S. Customs Contact

"Face to Face"

- Daily by Broker (over 40% G.E. account)
- Monthly (FTZ, G.E. facilities, Customs office) by G.E. personnel

Other Communications

- Several times/week (telephone) - G.E. professional Customs Specialist
- Daily - documents hand carried to Customs for entry

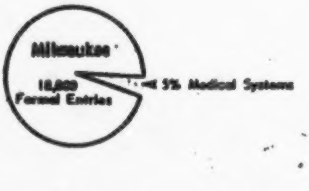
G.E. Personnel Involvement

- 2 full-time individuals: Customs Specialist plus clerical and administrative support
- 25 individuals - weekly involvement
- 200 individuals - once to several times annually

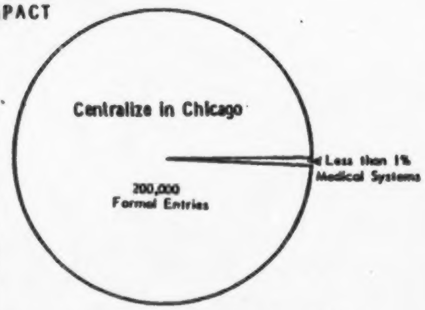
Conclusion

- Personal contact leverages efficiency

ENTRY IMPACT



Import Spec. (I.S.)	Entries/I.S.	Teams
Now - 2	9000	2
Need - 4	4500	(Two I.S. ea.)



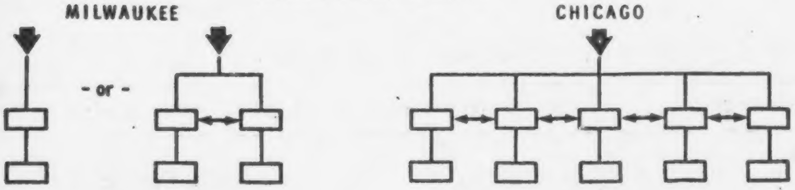
Import Spec. (I.S.)	Entries/I.S.	Teams
Now - 40	4500	20 (Two I.S. ea.)

As an example .....

Typical Medical Systems Nuclear Entry is at least 30 pages (up to 80) of documentation.

Frequency: Varies from 3 entries per week to 11 entries per week.

DISTRICT STRUCTURE IMPACT



- One Team; over 95% of entries
- Occasionally two Teams involved
- Extensive product knowledge developed
- In-depth product documentation already available to Import Specialist
- Products available for viewing

- Five Teams involved for majority of Medical Systems entries (one-fourth of Chicago Teams)
- Up to three teams involved per product line
- Organized by commodity/specialty

Need

- Appraisement (pricing data)
- Classification (product data/expertise)
- Relationships (company data)
- Conditionally duty-free (manufacturing data or use data)
  Duty-free: estimated $.8 Million duty saved in 1982
- Visual concept of product -- its function, its thousands of related parts (e.g.: CT - 10,000 parts; Nuclear System - 144 basic components and options)
- Internal communications (e.g. three Teams per product line inefficient)
- Hospital profit/non-profit status

POTENTIAL COST IMPACT

MID-1980's

• Additional Cost/Year Brokers fees, communications, G.E. personnel duty, on-going training	$200,000
• One-Time Potential Costs - Extensive training - Potential for misunderstanding (Opinions/Rulings/Appeals) - Possible litigation	$90,000 to $300,000
• Cost of Carrying Inventory	$250,000

Open date February 17, 1983.
Closing date February 23, 1983.

IMPORT SPECIALIST VACANCY LISTING

Region and location	Number of vacancies	Position title, series, grade
Northeast:		
Champlain, N.Y	One or more	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.
Baltimore, Md	One or more	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.
Philadelphia, Pa	One or more	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.
Buffalo, N.Y	One or more	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.
New York:		
Kennedy Airport area	Three or more	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.
Seaport area	Two or more	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.
Southeast: Miami, Fla	Five	Import specialist GS-1889-5/11.
South Central:		
New Orleans, La	One or more	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.
Southwest:		
El Paso, Tex	One	Import specialist (TL) GS-1889-12.
Houston, Tex	One	Import specialist (TL) GS-1889-12.
Do	Three	Import specialist GS-1889-5/11.
Pacific:		
Los Angeles, Calif	Two or more	Import specialist (TL) GS-1889-12.
Do	One or more	Import specialist GS-1889-5/11.
San Francisco, Calif	One or more	Import specialist (TL) GS-1889-12.
Do	One or more	Import specialist GS-1889-5/11.
Seattle, Wash	One or more	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.
North Central:		
Chicago, Ill	One or more	Import specialist (TL) GS-1889-12.
Do	Three or more	Import specialist GS-1889-5/11.
Detroit, Mich	Nine	Import specialist GS-1889-5/11.
Do	One or more	Import specialist (TL) GS-1889-12.

TL = Team leader position.

Senator Abdnor. We want to be sure of what we do here, as you say, we would like to have an efficient port, but if we can save money, we are interested. But, at the same time, we have the same doubts and questions that you brought up.

Well, Congressman, we appreciate your coming all the way back. I guess we could have scheduled this later in the day, but you never know when we start out, when we set these up a week ahead of time, whether we are going to have a session or not.

We appreciate your attendance this morning and your testimony.

Mr. Moody. Thank you very much.

Senator Abdnor. Well, this concludes, at least as far as we know, the witnesses that are present here from Congress. A number are submitting written statements that we will make a part of the record.

Senator Hawkins may still be able to make it. We will leave it open in case she still does. She is very much interested in this and did want to be here.

ADDITIONAL STATEMENTS AND LETTERS SUBMITTED

Senator ABDNOR. We have several statements and letters from Senators and Congressmen, which we will include in the record.

[The information follows:]

STATEMENT OF MARK ANDREWS, U.S. SENATOR FROM NORTH DAKOTA

Mr. Chairman, there has been a great deal of speculation, rumor, accusation, and confusion concerning the Ports of Entry along our Northern border. This is not something new, but is a situation which has been persistently plaguing us over the years. The purpose of your hearing, for which those of us representing border states are gratified, is to separate fact from fiction.

What I want to know, what the people along the border want to know, and what my constituents in North Dakota want to know is what the U.S. Customs Service intends to do, how they intend to do it, when do they hope to accomplish it and why.

I am told that the U.S. Customs and the Immigration and Naturalization Service are involved in a joint effort to examine existing trade patterns, visitor and resident crossings and future trends in an effort to implement a system which would serve the public in a more effective and efficient manner. I am told they are gathering data and setting up criteria and standards by which to make viable judgements. I am told they are seeking and receiving input from District Directors and representatives in the field. I am told they are looking at proposals and discussing possibilities. Yet, when I have made inquiries of them, I am told there is nothing to report and I am told not to worry.

Well, I am worried. I have asked that I be kept informed. I have asked to see the data. I have requested to see the input from the districts. I would like to see the proposals. I have received nothing. Telephone conversations between U.S. Customs, the INS and my office reveal more confusion then conformity.

I understand the U.S. Customs and the Immigration and Naturalization Service have areas of differences to mend and resolve. I know there are strong feelings held by both services concerning the proper lead agency for the responsibility of primary inspection at the borders. However this may be resolved, the fact is I am very concerned that adequate enforcement be a continued commitment to our Northern border. I am convinced it is essential to our national interests.

Our good neighbor to the north, Canada, has a far more liberal immigration law then ours governing the entry of visitors from other nations. Some of those countries whose citizens are granted access to that northern country without the requirement of a visa are considered by the United States as being high-risk potential violators of our own immigration laws. The only thing which now prevents their use of Canada to cross freely into the United States is the force of Inspectors stationed at the border ports. The unfortunate experience along the Mexican border and the south Florida coast shows that when smuggling and illegal entry go uncontrolled, the criminal element is quick to move in. We don't want this to happen to our Northern border and I don't want this to happen to North Dakota.

A revision in the operation may well result in more effective use of personnel and better enforcement. But, I do not believe reduction in personnel and reduction in positions will prove to be economically sound.

Lastly, we are discussing communities in both the United States and Canada. We are talking about people and the quality of their life. We are talking about businesses and farms that know no border and friends and neighbors who have no boundaries. We are indeed discussing the drastic and adverse impact any reductions will have on a large percentage of our northern population.

I would hope this hearing will clarify this problem and will assist all concerned in seeking solutions in an open and healthy atmosphere of mutual trust and respect.

STATEMENT OF MAX BAUCUS, U.S. SENATOR FROM MONTANA

Today, the Treasury, Postal Service, and General Government Subcommittee is conducting hearings regarding a proposed reorganization of the Customs Service. At this time, I oppose such a reorganization and want to explain, to you and the members of your Subcommittee, the reasons for my opposition.

Montana shares a 700 mile border with Canada. Thousands of products are imported and exported across this border. To process these products, approximately 83 Customs Service employees operate at approximately 24 stations in Montana. These employees perform functions critical to Montana's economy. They process imports of products necessary to the development of Montana's industries and they work with a vital Montana trade management industry.

Now, the Customs Service has proposed a so-called "reorganization" that would reduce the resources Customs devotes to import processing. Although complete details of this proposed reorganization have not been made public, it appears that the reorganization would reduce the number of Customs employees in Montana by 23 and transfer key import specialists from Sweetgrass, Montana, and Great Falls, Montana, to Pembina, North Dakota.

This proposed reorganization seems counterproductive. Efficient import processing is a basic Customs function. It promotes harmonious trade relationships, which are especially important between the U.S. and Canada, our main trading partner. It also raises substantial revenue -- indeed, for every dollar Customs spends, it raises 19. Given these considerations, it seems unwise to reduce the resources Customs devotes to import processing.

Customs argues, however, that the reduction's effect will be offset by administrative "streamlining." I'm not persuaded. From what I've seen of the Customs proposal, the "streamlining" is ill-conceived. Customs appears to have simplistically consolidated stations and employee functions, without considering that some stations process imports that are much more complex than those other stations process, and that the removal of key employees like import specialists can impede imports and disrupt existing trade relationships in the communities from which the employees are removed. An example is the proposed transfer of all 3 Great Falls import specialists to Pembina. This would not be a simple consolidation. The Great Falls station is a main import port for, among other things, complex oil drilling equipment. The processing of these imports requires extensive documentation and extensive consultation between the importer and the import specialist. By transferring import specialists from Great Falls -- a city of 60,000 served by 5 commercial airlines and a bus line -- to remote Pembina -- a city of 600 served by no commercial transportation whatsoever -- the proposed reorganization could significantly impede these imports and disrupt the economy of the Great Falls region.

In short, I fear that the proposed reorganization will impede imports, disrupt existing trade relationships, and undermine the economies of many Montana communities -- all without significantly improving overall Customs efficiency. Because of this fear, I have asked the General Accounting Office to thoroughly review the entire proposed reorganization.

At this time, the proposed reorganization should be postponed until Customs explains the reorganization in complete detail and demonstrates that the reorganization will not impede exports, not disrupt existing trade relationships, and not undermine the economies of affected communities.

Until that happens, I urge the Appropriations Committee and other committees with jurisdiction over the Customs Service to exercise their statutory authority to expressly preclude the proposed reorganization.

LETTER FROM QUENTIN N. BURDICK, U.S. SENATOR FROM NORTH DAKOTA

April 25, 1983

The Honorable James Abdnor, Chairman
Senate Appropriations Subcommittee on Treasury,
Postal Service and General Government
United States Senate
Washington, D.C. 20510

Dear Jim:

I regret that I will not be able to attend the hearing of your subcommittee on April 25, 1983, relating to the U.S. Customs Service.

As you may know, Jim, I am deeply concerned about the possible closing of ports of entry along the northern border of the United States. Enclosed you will find testimony on this subject that I am requesting be included in the record of the hearing. As you will note in my testimony, if the Customs Service chooses to proceed with closing these ports of entry, I will actively support legislation to reverse this action and to keep these ports operational and fully staffed.

In addition to my own testimony, I am also including testimony from the American Federation of Government Employees which I am asking to be included in the hearing record.

With kind regards, I am

Sincerely,

Quentin N. Burdick

STATEMENT OF SENATOR QUENTIN N. BURDICK

Mr. Chairman, I appreciate the opportunity to share my concerns with the Subcommittee today about the possible closure of several ports of entry by the U.S. Customs Service.

While the budget for this vital agency is important in itself, I am concerned about recurring reports of proposed reductions and closures of many ports of entry along our northern border. A proposal to reduce the hours of operation of the ports of entry at Baudette and Warroad, Minnesota, and Dunseith, North Dakota was recently published in the Federal Register. More recently, representatives of both the Customs and the Immigration and Naturalization Service have lobbied Congressional delegations in behalf of a proposal to reduce the hours of 17 additional ports of entry and to close 34 more.

While both agencies provide inspectors to man these ports of entry, it is the responsibility of the Customs Service to establish the port operating hours. The protection of this country's borders is one of the most fundamental obligations of the government. The port of entry and the federal inspectors who work there play a vital role in preserving the free flow of legitimate commerce and people across our borders, while at the same time guarding against the unwanted entry of contraband, illegal aliens, and narcotics. The system has worked very well along our northern border with Canada where for decades, we have mutually enjoyed the best that a good neighbor has to offer, while at the same time protecting both ourselves and our neighbor against the harmful effects of the traffic in illegal aliens and the drug trade that plague our southern border and our Gulf Coast states.

Many industries in my own state of North Dakota depend upon the raw materials which they get from Canada. Many farmers in the border area till land on both sides of the border. A lot of seed grain comes from Canada. According to the Minot Chamber of Commerce, 30% of the money spent there on a good weekend comes from Canada, and as a consequence, 70% of the city's businesses advertising dollars are spent in Canada attracting that business. Residents of both sides of the border share medical and educational institutions.

These are the good aspects of trans-border relationships which we would hope to preserve, but they are highlighted by lesser known statistics which give a clue to what could be. Over the past two years, inspectors at the North Dakota border ports scheduled for closing made 324 separate narcotics seizures. And, during the past year, the U.S. Border Patrol apprehended 450 illegal aliens in the state of North Dakota.

It is important that this committee address this vital issue of staffing the nation's border ports. I am convinced that delivering a strong clear mandate here to keep these ports open and, at the same time appropriating the money to keep them open will serve the best goals of this Administration and provide the type of service and protection to our people that government is truly supposed to provide.

Mr. Chairman, I think most of us who serve on the Senate Appropriations Committee hope that Customs will recognize the importance of retaining these ports of entry. However, if this is not the case, I will certainly support legislation that would keep these ports operational and fully staffed.

Finally, I think it is important to note that my concerns about the retention of these ports of entry are shared by the members of the North Dakota State Legislature. As part of my testimony, I would like to include a copy of North Dakota House Concurrent Resolution No. 3096 which urges the Immigration and Naturalization Service and the U.S. Customs to continue operation of these ports of entry. The Resolution was passed on April 13, 1983, and reflects the deep concern of North Dakota's state leaders about this matter.

Statement of Michael G. Harpold, President, National Immigration and Naturalization Service Council

Mr. Chairman and members of the Sub-committee, we are pleased to present testimony regarding the FY '84 Appropriations for the Customs Service. The National Immigration and Naturalization Service Council is the exclusive union representing the employees of the Immigration and Naturalization Service. The I&NS shares responsibilities at the nation's ports of entry with the Customs Service, which means that many of our members, particularly at Northern Border Ports, share duties with their Customs counterparts. The purpose of our testimony before the committee is to voice our concern regarding the closing of many smaller ports of entry along our northern border with Canada.

In the January 4, 1983 Federal Register, the Customs Service published a notice to reduce the hours of operation of the ports of entry at Baudette and Warroad, MN and Dunseith, ND. Subsequently, the Union made careful inquiry and uncovered a plan initiated by the I&NS and concurred in by the Customs Service to close 34 ports of entry and reduce the hours of operation at 17 more. Those ports are as follows:

Class "A" Ports Recommended for Closing

Pittsburgh, NH
Canaan, VT
Beebe Plain, VT
Pinnacle Rd., VT
Morses Line, VT
Hannah, ND
Sarles, ND
Hansboro, ND
St. John, ND
Carbury, ND
Antler, ND
Boundary, WN
Point Roberts, WN
Ferry, WN
Alburg Springs, VT
Roberts Landing, MI
Roseau, MN
Pine Creek, MN
Noyes, MN
Sherwood, ND
Ambrose, ND
Whitetail, MT
Turner, MT
Willow Creek, MT
Del Bonita, MT
Whitlash, MT
Lynden, WN

Class "B" Ports Recommended for Closing

Easton, ME
Monticello, ME
Forest City, ME
Jamiesons Line, NY
Cannons Corner, NY
Churubusco, NY
Trail Creek, MT

Class "A" Ports where Reduction in Hours will be Recommended

Limestone, ME
Derby Line, VT (Rt. 5)
North Troy, VT
E. Richford, VT
Alburg, VT
Chateauguay, NY
Mt. Covington, NY
Baudette, MN
Neche, ND
Walhalla, ND
Westhope, ND
Northgate, ND
Noonan, ND
Fortuna, ND
Scobey, MT
Metaline Falls, WN
Danville, WN

While at first glance, this may appear to be a legitimate economy measure, we would like to take this opportunity to point out some major flaws in this proposal.

First, the budget constraints argued by the Immigration and Naturalization Service are largely self-imposed. Despite the widespread feeling in the Congress that the I&NS should be beefed up, no new resources have been requested for the Inspections program for FY '84. In FY '83 the I&NS reduced the number of full-time permanent inspectors by 200 positions. The 30 positions proposed to be freed by closing northern border ports are slated to be transferred to the Mexican border. The magnitude of the problem caused by understaffing of the Southern border is such that although helpful, the addition of 30 positions would not be significant.

The I&NS proposed to establish a 20 mile zone along the border area, permitting residents of that area to pass freely back and forth across the border withough being inspected. While on its face this may appear to be an attractive idea, it is a seriously flawed concept with grave implications for our northern border.

While less active than our southern border, enforcement presence on the northern border is essential to our national interests. Canada permits the entry into its territory of citizens from 76 countries without the requirement of a visa. Citizens of many of these countries such as Mexico, Guatemala, Nicaragua, and Caribbean Basin countries, are high-risk potential violators of United States immigration laws. The only thing preventing them from using Canada to transit freely into the United States is the force of Immigration Inspectors stationed at Canadian border ports. Last year, at those ports of entry scheduled to be closed alone, 6,962 ineligible aliens were turned away. It will not take long for the word to spread, and a border that is open to local residents will unfortunately be open to a veritable flood of inadmissable aliens as well.

Our sad experience along the Mexican border and of recent years in south Florida shows that when smuggling and illegal entry go uncontrolled, the criminal element is quick to take advantage. What inevitably follows is a serious deterioration in the quality of life and safety of the residents of the area. Without an effective enforcement presence on our northern border, a situation similar to south Florida is almost inevitable.

The problem is compounded somewhat by the inclusion of a mandate to close smaller border ports in the 1983 Program Priorities for the I&NS. Of the 42 program priorities listed, the operative one is as follows:

> "8. Reduce and control the cost of the inspections program while improving its overall effectiveness, emphasizing:
>
> -1931 Overtime Act reductions
> -increased use of other than full-time permanent personnel
> -reduction of presence at low-volume, low risk ports"

This and other program priorities were incorporated into the work performance plan of I&NS regional and district managers and constitutes the standard upon which each is judged for promotion or retention. The system represents proper management but consider the plight of many small towns along our northern border who are the unwitting victims of the system. The performance work plan says that managers are to reduce the cost of the inspection program by a "reduction of presence at low volume, low risk ports."

Beyond the loss of immigration inspectors and their families to the economy and social structure of these small communities, the closing of a POE has a much greater impact on the community. Many of these small border towns need Canadian customers to survive. Many Canadians would not have access to commercial shopping areas if the port were closed. In many areas the only hospital or clinic is located on one side of the border or the other but not on both. For example, in Sarles, Hannah and Neche, North Dakota residents on the U.S. side of the border use the facilities in Canada. On the other hand, people residing on the Canadian side north of Roseau or Pine Creek, Minnesota travel the eight to twenty-two miles to the hospital in Roseau instead of the nearest Canadian facility which is seventy miles away.

Law enforcement in the small communities of the border area has always relied on the cooperation and expertise of the inspectors who man the POE's. Numerous fugitives and rejects from one country or another are arrested at the border each year and with less staffing and fewer POE's the chance of apprehension will surely decrease. The residents of the northern border area are not anxious to encounter the crime and drugs problems that have occurred along the Mexican border and in South Florida as a result of overwhelmed federal enforcement efforts.

The work performance plan in the hands of regional and district managers takes none of these factors into consideration. The I&NS 1983 Program Priorities mandates only that managers "reduce and control the costs of the Inspections program". The Administration meanwhile refuses to request or justify any budget increase.

We urge that the Congress make a strong clear statement to the I&NS emphasizing the importance of the Inspection program. That statement should include:

- Authorize and appropriate $12 million and 256 positions for the inspections program which the I&NS planned for but did not request. The agency should be instructed to document and request the additional resources it really needs.
- Require that at a minimum the I&NS maintain its current staffing levels at all U.S. Ports of Entry.
- Require that all I&NS management work performance plans and priorities be re-written to emphasize the vital role the inspections program plays in overall immigration enforcement efforts. Require that managerial efficiency be measured against enforcement results.

STATEMENT OF JOHN GLENN, U.S. SENATOR FROM OHIO

The U.S. Treasury Department is heading in the wrong direction at the wrong time in its proposal to remove three customs import specialists from Cincinnati. The timing is bad because international trade has become an increasingly important component of our national economic life. The direction is wrong because we should be doing more, not less, to help American businesses operate efficiently. Simultaneously, this administration should be doing all it can to enforce anti-dumping laws, quotas and other national legislation that attempt to safeguard American workers from unfair foreign trade practices.

To continue to thrive as a major center of international commerce, Cincinnati needs customs import specialists readily available to monitor the flow of goods from abroad. Transferring these positions to another city would create unnecessary inconvenience, and added expense, for Cincinnati-area businesses and put them at a competitive disadvantage. International trade is no small matter in Cincinnati. In 1981, for example, the value of exports totaled $1.9 billion compared to imports valued at $1.8 billion. In addition, an estimated 23,000 jobs in the Greater Cincinnati area depend on foreign trade.

Because of the potential threat to this economic artery, Cincinnati-area business leaders are understandably concerned that the city would be left with no customs import specialists. Joe Kramer, manager of the export department at the Greater Cincinnati Chamber of Commerce, has described the adverse consequences in straightforward language that should give the U.S. Treasury Department reason to reconsider its decision.

Kramer predicts that the removal would "lower productivity and increase the time necessary to process and deliver imports to wholesalers and manufacturers. An increase in costs will naturally result and endanger the competitive position of local companies. A number of these companies re-export to foreign markets. The (resulting) delay in receiving imports will also place local companies at a competitive disadvantage in foreign markets. Product availability and shortness of time in receiving those products are in many instances the determining factors in placing business in foreign markets."

Given the very real dangers outlined by Mr. Kramer, I oppose any move to eliminate the customs import specialists in Cincinnati, until the Treasury Department can provide sufficient justification for its proposal. So far, that has not happened.

Testimony submitted April 25, 1983, to the U.S. Senate Appropriations Subcommittee on Treasury.

STATEMENT OF PATRICK J. LEAHY, U.S. SENATOR FROM VERMONT

I am deeply disturbed about the proposal of the U.S. Customs Service to reduce personnel and to consolidate ports of entry during Fiscal Year 1984. Last December, I joined with several of my Senate colleagues to stop these consolidations and reductions during Fiscal Year 1983 in the Vermont District, as well as in several other states.

The reasons for my opposition to these proposed reductions and consolidations in Vermont are the same now as they were in December. The number of entries processed by the Vermont District has doubled over the past five years, from 53,150 entries in 1977 to some 96,483 in 1981. During that same five year period, the duties collected by the Vermont District increased 82 percent, from $13.7 million in 1977 to $26.4 million in 1982.

I understand that Vermont's experience is similar to that of many other Customs Districts in other states. Given this significant increase in activity and President Reagan's expressed interest to curb the tide of illegal drug trafficking, I do not understand the rationale for this proposed reduction.

Senator Stafford and I wrote Commissioner von Raab on November 15, 1982, asking if there were any plans to reduce or alter in any fashion the operation of the Vermont District. To date, we have not received a response to our letter. Therefore, I have written Commissioner von Raab again, requesting him to respond by April 27, 1983.

STATEMENT OF JOHN MELCHER, U.S. SENATOR FROM MONTANA

Mr. Chairman, and Members of the Committee, I want to thank you for the opportunity to comment on the U.S. Customs Service budget, specifically, plans to reduce personnel. For our state of Montana, this proposal has meant the possibility of closing several ports-of-entry on the border with Canada, and reducing hours of service at other ports.

Mr. Chairman, two of our most pressing problems today-- indeed, ones which the Congress is trying to solve even now-- are our foreign trade policies and the influx of illegal aliens. Budget proposals which would result in a lessened capacity of the United States to deal with both of these problems suggest mismanagement akin to a grocery store cutting costs by taking out all the checkstands. More to the point, it is a head-in-the-sand approach of the philosophy that "if we don't have anybody on the job looking for violations of the trade and immigration laws, there won't be any violations."

The people of Montana have made it clear to me that orderly management of the peaceful border between the United States and Canada, through competent and convenient Customs and Immigration services, is an appropriate function of government and one worth paying for. Indeed, money invested in border management results in increased income to the country and the government, and, if anything, should be expanded, not reduced.

In short, Mr. Chairman, I hope the Committee will do whatever necessary to see that this short-sighted proposal is not allowed. My unofficial contacts with Canadian legislators, trade officers and individual citizens indicates that Canada would prefer to maintain a long-standing principle of keeping all these ports-of-entry open. American businessmen want the ports open. American citizens living near these ports want them kept open. They should be kept open.

With the Committee's permission, I would like to submit a portion of the correspondence I have received in opposition to any proposal to close these ports. The individual letter-writers spell out a wide variety of reasons for their request. I will not repeat all those reasons here, but I do want to describe something of the range of interests and needs that make these border ports important to us.

Among the many economic reasons for maintaining the present level of service are the following:

-- the doubling, tripling and quadrupling of travel distances for commercial enterprises now using the port closest to them. Montana shares a border with Canada for a distance of some 550 miles. In one of many examples, people in Hogeland, Montana, now using the port of Turner in order to obtain tractor parts or repairs at Climax, Saskatchewan, can travel only 66 miles round trip to do so. If Turner were closed, as is being proposed, that round-trip mileage would increase to 318 miles. I know the Subcommittee Chairman understands long-distance driving, being from our neighboring state of South Dakota. But I wonder if the budget trimmers at OMB or at Treasury would like to drive from here to Cleveland, Ohio, each time their calculators needed new batteries. The mileage would be about the same as the drive facing the farmer in Hogeland.

-- In several instances, after long years of wait, local governments have only recently been able to complete paved highways to these ports. Setting aside the cost of the wasted effort that will have been should the ports close, the pertinent fact is that improved transportation has resulted in increased commerce between the countries, meaning even towns rather far, by Eastern standards, from the actual boundary will be adversely affected economically by closure of the border.

-- Good trade relations have been formed in communities near each other across the border all along the northern boundary. Shops, tourist attractions, service businesses on both sides have come to depend on patronage from citizens of both countries, and disrupting this trade pattern would no doubt cause some of the smaller concerns to go out of business.

-- The Montana Aeronautics Board is in the preliminary stages of setting up an airport at the port of Del Bonita, which is proposed to be closed by the Administration plan. Obviously, officials close to the situation there see a much brighter future for this area than the bureaucrats in D.C.

Beyond the economic hardships imposed by the proposal, there is a health and safety impact on Americans living near the line.

-- The closest hospital to Turner is in Canada, and ambulance runs regularly cross the border there. The next closest hospital is more than twice as far away, nearly a two hours' drive.

-- Fire departments have responded to calls for assistance across the border, and both countries have made use of training opportunities across the border. Neither would be possible if the ports were closed.

The social and cultural impacts are conceivably the greatest of all. Again, I know the Chairman understands the tremendous importance of recreational and social activities in parts of this country whre towns are scores of miles apart, and individual families live miles from their nearest neighbors. A significant community of interest has grown up all along our border with Canada, where small towns on each side of the border have grown to complement the entertainment or cultural offerings of sister cities to the north or south. Closure of the ports between these towns would sever relationships that are of paramount importance to the local people, but are also of importance to the friendly relations between our two countries. A perusal of the correspondence I will submit will show committee members a wide variety of such activities, including education classes, recreational facilities, dance groups, sports events, scientific gatherings and simple friendships that would all be disrupted by this proposal.

Lastly, I would just mention that abandoning responsible management of the border for vast distances will create new law enforcement problems for both the United States and Canada. Inadissable aliens are already turned away from the U.S. at these ports in large numbers. By making it easier for such people to enter the United States from Canada we may well take the pressure off other parts of the southern and eastern U.S., yet still have the same problem.

I am pleased that the Subcommittee is taking special effort to look into this proposal, and I can promise full cooperation from Montanans if the Members need further documentation of our reasoning. Thank you.

LETTER FROM SENATOR JOHN MELCHER

April 22, 1983

The Honorable James Abdnor
Chairman
Subcommittee on Treasury, Postal
Service and General Government
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Please accept the attached statement of Representative Pat Williams of Montana to be part of the record of the hearing on April 25, 1983, on the subject of the U.S. Customs Service budget.

Best regards.

Sincerely,

John Melcher

STATEMENT OF PAT WILLIAMS, U.S. REPRESENTATIVE FROM MONTANA

Senator Abdnor, I am pleased to have this opportunity to address an issue of particular concern not only to my Congressional District and State, but also to the entire tier of Northern States along the Canadian border. I understand that this Subcommittee is holding hearings on the reorganization plan being proposed by the Customs Service. However, I wish to address not only Customs' plan to reduce its workforce by nearly 2,000 persons, but also a joint proposal by Customs and the Immigration and Naturalization Service to close ports of entry (POE) stations in Montana and across the Northern tier of the United States.

First, it makes little difference to the residents of Montana whether Customs or INS is leading this joint effort to close or curtail operations at POEs. To Montanans, this plan means a disruption to social and economic patterns that have been established for generations along the Northern tier.

Second, neither Customs nor INS has been "upfront" with me concerning their short-term or long-range plans for closing or curtailing operations along the Northern tier. Despite repeated attempts to ascertain these agencies' plans, I have been told that they "are still up in the air" about what to do; or, that they are merely "floating plans" to test Congressional interest.

My initial letter to the Commissioner of the Customs' Service was answered by a letter that simply restated an attached, computerized "fact sheet" on how Customs is coping with a decreasing resource base and an increasingly complex workload.

INS and Customs officials are using a fashionable argument that budget cuts are forcing reorganizations of efforts within their agencies. I happen to believe that the budget constraints argued by these agencies are largely self-imposed. There is a widespread belief in Congress that these agencies should be beefed up, yet neither has requested new resources for inspections programs in fiscal 1984.

Addressing the impact of POE closures in my State, the INS/ Customs plan will, in some cases, leave 200-mile stretches of border without service. In my own District--Montana's First--many counties have spent years and hundreds of thousands of dollars to improve roads to POEs. Are these efforts to generate trade and build good community relations to be ignored by an administrative bureaucracy that has not even considered that some Montanans may have to drive several hundred miles out of their way to maintain these relationships?

At Del Bonita, citizens are in the preliminary stages of building an airport on the international boundary line. If this port is closed, as proposed, what will happen to the investment this community has made? What about this community's future?

How will businessmen who depend on trade from neighboring Canadian communities survive? Are INS and Customs considering these businessmens' lifelong investments?

These are serious questions that must be considered. To date, I do not have an indication that they have even entered the minds of officials proposing the closures and curtailments. This is an example of unresponsive government at its worst. These agencies, through their secretiveness--or perhaps incompetence--have managed to frighten and confuse the very citizens they are supposed to be serving. It is not inappropriate for us to insist that these agencies clarify their proposals and quit sidestepping the questions which we have asked.

Montanans, and I assume this Committee as well, want answers from INS and Customs to the following questions:

--What specific criteria were used in deciding which POEs to propose for closure and what criteria were used for deciding which ones should have hours of operations reduced?

--What considerations were accorded the needs of rural citizens in developing the plan?

--Has INS or Customs consulted with the Canadian government on the proposal? If so, what was the outcome?

--What would the proposed changes in POEs mean for duty-free operations along the border?

--What further actions do you plan before deciding whether to proceed with the proposal? Do you plan public hearings in the communities affected by the closures or curtailments?

--Under what specific legal authority could the INS and Customs Services implement such a plan?

LETTER FROM THOMAS FOLEY, SID MORRISON, AL SWIFT, U.S. REPRESENTATIVES FROM WASHINGTON; BYRON DORGAN, U.S. REPRESENTATIVE FROM NORTH DAKOTA; PAT WILLIAMS AND RON MARLENEE, U.S. REPRESENTATIVES FROM MONTANA; ARLAN STRANGELAND, U.S. REPRESENTATIVE FROM MINNESOTA; AND LARRY CRAIG, U.S. REPRESENTATIVE FROM IDAHO

April 22, 1983

The Hon. James Abdnor
Chairman
Subcommittee on Treasury-Postal
Service-General Government
US Senate
Washington, DC 20510

Dear Mr. Chairman:

We are writing you about our concerns regarding the planned closure of ports of entry in northerwestern border states. We appreciate having this opportunity to state our views.

We have been informed -- informally, and without adequate justifying information -- by the Customs Service and the Immigration and Naturalization Service that a number of ports of entry in our region will be closed or have their hours drastically curtailed. This will create undue hardship for many, many people and businesses in our area who will be forced to use alternative ports of entry at extreme distances from existing border crossings. This is of special concern to us in the West where distances are great. Customs and Immigration appear to have disregarded this problem in the development of their port curtailment plans.

On a larger note, we are also concerned about the port closings because we see the proposed cutback in services and security along our northern border as a reneging on the duties of the federal government. Our country's economy and security depend upon vigilance at our borders: to interdict the flow of illicit drugs; to apprehend felons and others of danger to our country; to halt the outflow of critical technology to unfriendly nations; and to encourage legitimate trade activities. To strip our northern border of necessary Customs and Immigration officers would mean a tacit reliance on the Canadian government to guard our borders through the guarding of her own. To rely upon the vigilance of another country is in contravention to the basic duty of a nation to ensure its own security.

We believe from the perspective of citizens living and working in our region of the country, and from the larger perspective of our nation's best interest, the port closures contemplated by the Customs Service and the Immigration Service are a classic case of being penny wise and pound foolish. We respectfully urge your subcommittee to look carefully at these proposals and judge them on their merits, and not as ciphers on an OMB balance sheet.

Thank you for this opportunity to place our concerns before your subcommittee.

Sincerely,

Thomas Foley, M.C. Sid Morrison, M.C. Al Swift, M.C.

Byron Dorgan, M.C. Pat Williams, M.C. Ron Marlenee, M.C.

Arlan Stangeland, M.C. Larry Craig, M.C.

Statement of Dan Glickman, U.S. Representative From Kansas

I understand that your subcommittee has scheduled hearings on the move of Customs Import Specialists from various ports throughout the United States to centralized locations as an apparent cost-saving effort.

Recently, I have received many letters of concern from import/export interests within my district regarding the Import Specialist in the port of Wichita who is scheduled to be removed. I received a letter from the Assistant Commissioner of Customs, Robert P. Schaffer, informing me that the decision to centralize Wichita will not delay merchandise being released to importers or any other functions of the port. It will merely mean that the import specialist at the centralized location will only be accessible by telephone communication or by letter. Please find enclosed a copy of the letter I received from Mr. Schaffer which further explains the U.S. Customs Service's position in this matter.

In light of the aformentioned concerns my constituents have raised, I would certainly hope that your Subcommittee hearings focus on the issue of actual cost-savings compared to reduction in service to the various communities who will lose their import specialists.

Letter From Robert P. Schaffer, Assistant Commissioner, Office of Commercial Operations, U.S. Customs Service, Department of the Treasury

MAR 24 1983

The Honorable
Dan Glickman
House of Representatives
Washington, D.C. 20515

Dear Mr. Glickman:

This is in reply to your letter of March 1, 1983, in which you expressed your concern over Customs proposal to transfer the import specialist function from Wichita. We appreciate this opportunity to address this issue, and of course remain available to answer any further questions you may have.

As you may know, this transfer of function is one part of Customs overall effort to develop a nationally centralized duty assessment system. Like many other Federal agencies, Customs is responsible for an increasing and increasingly complex workload in a time of static or shrinking resources. In order to meet this challenge while continuing to provide efficient and effective services, Customs is considering a number of proposals intended to streamline operations and reduce administrative overhead. The centralization of duty assessment locations is one method for accomplishing these objectives.

Customs has studied trade and staffing patterns from both a local and national perspective, and has determined that centralizing its classification and valuation functions will better match our resources with our workload and provide, in the long run, better service to importers, to brokers, and to the general public. In fact, prior to any transfer of functions, about 20 duty assessment locations already handled 70 percent of all formal entries made in the United States.

Some specific advantages to a centralized duty assessment system include the following: (1) automation - a must for the future of our commercial operations - is more feasible and more cost-effective; (2) the application of tariff laws and regulations will increase in uniformity; (3) duplication of records and administrative overhead can be reduced; and (4) import specialists can increase their expertise in particular commodity lines.

With respect to the specific decision to centralize Wichita, we would first assure you that this transfer of function will not adversely affect the procedures currently followed by that trade community. Entry papers will still be filed at the port of arrival. Under centralization these papers will simply be processed at another location. Similarly, centralization will not delay merchandise being released to importers or entered into or withdrawn from either Foreign Trade Zones or Customs bonded warehouses. These and all other Customs activities at the port will proceed without disruption. The import specialist at the centralized location is still readily accessible, and telephone communication will be emphasized to ensure a minimum of paperwork.

In conclusion, while we cannot disagree with you as to the importance of Wichita as a busy port and corporate center, we would point out that in FY '81, only some 4000 entries were processed through the Wichita Customs Office. The national average for entries processed in Customs duty assessment locations was slightly over 65,000 during this same time. Finally, we can assure you that knowledgeable Customs officials will remain in the port of Wichita.

Thank you again for this opportunity to respond to your concerns. Please do not hesitate to let us know when we may be of any further assistance.

Sincerely,

Robt P. Schff

Robert P. Schaffer
Assistant Commissioner
Office of Commercial Operations

LETTER FROM DAN GLICKMAN

March 1, 1983

The Honorable William von Raab
Commissioner of U.S. Customs
U.S. Customs Service
1301 Constitution Avenue, N.W.
Washington, D.C. 20229

Dear Mr. von Raab:

This letter is in regard to the many letters of concern I have received recently from various interested parties concerning the U.S. Customs Service proposal which would remove the Import Specialist from the Port of Wichita as an apparent cost-saving effort.

As you may know, Wichita, Kansas is the largest city in the state of Kansas and is the international headquarters for several large importers such as the Beech Aircraft Corporation, Cessna Aircraft Corporation, Coleman Company, Gates Learjet Aircraft Company, Pizza Hut Corporation, and the Hesston Corporation of nearby Hesston, Kansas. In addition, the Boeing Military Airplane Corporation, which is a major division of one of the largest corporations in the United States, is also located in Wichita, Kansas and recorded entries last year with the Port of Wichita in excess of $410,000,000.

As you may also know, most of the imports to the Port of Wichita are aircraft related. It is anticipated that import/export needs will grow during this decade for many aircraft related industries in the Wichita, Kansas area. With the Customs staff in Wichita already thin in ranks the loss of an individual would only worsen the situation. Moreover, the aircraft industry in the Wichita area, which has been hard-hit by the recession, can ill-afford more administrative costs and burdens which your proposal would create by relocating the Import Specialist from the Port of Wichita.

In light of the aforementioned facts, and in light of the U.S. Customs Service's own admission in a letter to me dated August 28, 1981 (copy enclosed) from the then Acting Commissioner of Customs William T. Archey which states that the Regional Commissioner at Chicago is aware of the additonal manpower which is needed in Wichita, I strongly urge the U.S. Customs Service to reevaluate the pending proposal which would remove the Import Specialist from the Port of Wichita.

Thank you for your assitance in this matter.

With best regards,

Dan Glickman

DAN GLICKMAN
Member of Congress

STATEMENT OF MARCY KAPTUR, U.S. REPRESENTATIVE FROM OHIO

With regard to your hearings on the U.S. Customs Service plan to centralize the import specialist duties, I would like to submit the following statement for the record.

I am opposed to the Customs' proposal to eliminate import specialists from approximately forty locations, including the Port of Toledo, Ohio. In my estimation, the proposed centralization plan will result in less adequate operations at the ports designated for reduced services. I am especially concerned that transferring the import specialist functions to the Cleveland Customs office will have a deleterious impact on the operations of the Port of Toledo. I believe this will be the case for several reasons.

First, the centralization of import specialist duties will eliminate the personal contact between importers and brokers that is now available at the Toledo port. Personal contact is a significant element of doing business. Traders prefer to deal with import specialists directly; potential problems are resolved more expeditiously. The mail or telephone alternatives are clearly burdensome and less effective.

Secondly, the presence of import specialists on location fosters better relationships with the immediate business community and a more vigorous trading economy.

Third, the transfer of specialists from Toledo will decrease the number of on site inspections. Such inspections are critical for the accurate enforcement of our nation's import laws. They also guarantee vigorous enforcement.

Finally, the transfer of the specialist function from Toledo to Cleveland strikes me as unresponsive to local need. A full time import specialist has been an ongoing necessity. As the Toledo Port continues to grow, this position will become even more necessary. Instead, however, the port faces the prospect of no on site import specialist.

Mr. Chairman, I hope that your committee will recommend that the U.S. Customs Service maintain its current distribution of import specialist duties and, in particular, that Toledo will continue to have the important services of an on site import specialist available.

LETTER FROM CLEMENT J. ZABLOCKI, U.S. REPRESENTATIVE FROM WISCONSIN

April 14, 1983

Senator James Abdnor
Chairman, Subcommittee on Treasury, Postal
Service, and General Government Appropriations
1218 Dirksen SOB

Dear Mr. Chairman:

This letter pertains to the hearings scheduled to be held by the Treasury, Postal Service, and General Government Subcommittee on April 25 on the proposed consolidations and closings of Customs Offices across the country.

As you know, Mr. Chairman, the future of the Milwaukee Customs District #37 in Milwaukee, Wisconsin has been uncertain for some time. Last year, Milwaukee was targeted in the continuing resolution as one office which should remain open and fully operational. I support the continuation of that mandate and have enclosed a statement in this respect.

Your cooperation in including the statement as part of the official record and supporting the continuation of Milwaukee Customs District #37, fully staffed, is respectfully requested.

With best wishes, I am

Sincerely yours,

CLEMENT J. ZABLOCKI
Member of Congress

STATEMENT OF CONGRESSMAN CLEMENT J. ZABLOCKI

Mr. Chairman, I commend you on holding these very important hearings on the future of U.S. Customs Service offices around the country. The impact that the U.S. Customs Service has on our local economies, our businesses and citizens, as well as government personnel, is immense.

As you know, Mr. Chairman, I have the honor and privilege of representing the Milwaukee-Waukesha area in Wisconsin. While our local economy is in severe straits, hundreds of local and state businesses rely on the Milwaukee Customs Service District Office to process goods at the Port of Milwaukee. Closing or downgrading the District Office will cause undue hardship to our community.

As one who is concerned with the economic health of the Milwaukee community, I am opposed to eliminating, downgrading or transferring positions out of the Milwaukee District Customs Office. At a time when northern industrial communities, like Milwaukee, are already facing enormous difficulties, I do not believe we should be creating even further obstacles to the ongoing operations of our many firms involved in international trade. Elimination of jobs at the Customs Office in Milwaukee will do just that! It will mean additional paperwork, loss of the local Customs Service presence, and lost time and money for the taxpayers.

I might add that the two remaining import specialists at the Milwaukee Customs Office are currently so thinly spread that they are doing the work of six individuals. By not filling the four existing positions in Milwaukee, the government is literally asking two import specialists to handle six jobs and fall 80 hours behind every time they complete 40 hours of work! My position is that the Milwaukee District office should remain open and that existing slots which have been vacant for one and one-half years should be filled!

Ironically, the current Administration has repeatedly stated its good intentions towards the business community, yet we find that same Administration putting up stumbling blocks to plant expansion and trade. It is no secret that businesses who export and import benefit greatly from the local presence of trained import specialists who know Milwaukee based firms, their products, and needs, and can process them expeditiously. My position is that if the President finds it necessary to eliminate positions, he eliminate them elsewhere, not at a major port of entry which serves thousands of businesses in the state.

Milwaukee businesses should be encouraged to stay in our community, to provide jobs, and to find new markets for their goods. One way our government can help them to do that is by keeping the Milwaukee Customs District Office open and fully operational, thereby alleviating unnecessary paperwork and costly delays.

Last year, Customs Service officials met with nearly 100 Milwaukee firms which indicated the serious adverse effects of a downgrading of the Milwaukee office. One firm, General Electric Medical Systems Operation, indicated that if import operations were centralized in Chicago, additional expenses would reach $750,000 per year!

When considering that that is only one firm out of hundreds, we must question the overall effect on Milwaukee's economy.

In emphasizing my opposition to the proposed curtailing of the Milwaukee Office operations, I would like to express my intention of working towards a legislative solution in the 98th Congress, if necessary. Senator Proxmire should be commended on offering an amendment to S. 2916, the Senate version of the Department of Treasury Appropriations bill last year to prohibit the downgrading of the Milwaukee office.

Once again, I pledge my willingness to work with all concerned parties to retain the Milwaukee District Customs Office at a fully operational level.

Finally, I would like to restate the importance of this issue. Just as relevant as the monetary impact is the philosophical. It seems to me that a community like Milwaukee, and a state like Wisconsin, has had more of its share of lost business and unemployment.

If we are serious about achieving a community in which business can recover, and ultimately thrive, we should provide a climate which is free of bureaucratic hang-ups and delays. Keeping the Milwaukee Customs Service fully operational will provide that signal to Milwaukee businesses.

STATEMENT OF CHARLES ROSE, U.S. REPRESENTATIVE FROM NORTH CAROLINA

I take this opportunity today to thank the Subcommittee for allowing me the opportunity to express my deepest concerns regarding the proposed "administrative reorganization" recently targeted for the U.S. Customs Service. While cost-saving initiatives are integral to the management of Customs offices, I share the fear of many that their implementation will deprive the trade community of an extremely valuable service by eliminating "in-person" contact with import specialists.

Import specialists are responsible for the proper tariff classification and value of imported merchandise. They furnish statistics of imported merchandise to government agencies and the business community, both of whom rely extensively on such cooperation. Import specialists are also responsible for enforcing quota of sensitive import items such as automobiles and steel products. In order to carry out these duties, it has become necessary for these specialists to maintain close relations with the import community and be readily available for any questions that often arise on the docks.

During Fiscal Year 1981, Import Specialists made over 8000 visits to importers' premises. While importers consider this a valuable service to their business, it also allows Customs to save the government money by insuring proper classification of imported merchandise. When one considers that there are over 10,000 categories in the Tariff Schedule, that products fit more than one classification, and that proper classification can make the difference between a duty-free entry or a 70-percent tariff, the value of this service to both the import community and the American taxpayer is apparent.

Import specialists are presently located in approximately 65 Customs offices across the nation. In each of these ports, representatives from the import community are able to take advantage of the specialists' intimate knowledge of product lines and technical aspects of their own commodity specialties. The Administration's current proposals for reorganization would cut the number of these offices in half. Beginning April 1, 1983, the Customs Service plans call for the consolidation of its import functions by relocating import specialists to more centralized ports.

Such centralization of import specialists would severely hinder the development of foreign trade in numerous cities, and ultimately result in lost revenue to areas already hard-hit by the recession. Over the past few months, great concern has been expressed over the future of such ports as Wilmington, North Carolina. If the Administration is given Congressional approval to implement its proposals, all Import Specialist positions in the Wilmington Customs Office (District 15) could be abolished or relocated to the Norfolk, Virginia Customs Office (District 14).

Relocating this offices' entire staff of Import Specialists to distant locations would result in key ports becoming less and less attractive to importers to ship cargo through, because the ports themselves would have lost their vital appraisement capabilities. Wilmington, for example, is a relatively young and growing port. Its significant increase in growth over the past few years has been directly attributed to the services provided by its experienced Import Specialists. A loss of these specialists would force importers to seek more efficient means of shipping their cargo, and therefore, put a permanant freeze on any future growth for this port city.

Though Customs Offices such as Wilmington have not yet been formally targeted by the Department of the Treasury for closure, the structure of the Administration's proposals could cause the market system to provide such a result in the near future. Without the services of Import Specialists, valuable trade and business incentives will eventually dry up -- resulting in lost revenue and the forced closings of one prominent port.

The underlying fear of future closings and transfers under the Department's plans for "future consolidation" has already created an unhealthy and potentially less-productive working atmosphere in many ports threatened by such action. Perhaps the most significant fault of this system is that presently, there are no oversight or assessment mechanisms to assure that individual government agencies do not make arbitrary of capricious shiftings of personnel, resulting in net loss of revenue to cities. The federal government plays a vital role in the economic partnership of trade responsiblity with localities. It therefore should have the responsibility to justify any actions that would cause localities to bear the brunt of administrative regulations.

It can be fully understood that the U.S. Customs Service, like many other federal agencies, must cope with a workload that is growing in size and complexity during a period of fiscal restraint. However, there are many other budget alternatives do not carry the risk of drastically reducing foreign trade. Removal of Import Specialists in Customs Offices for reasons of administrative streamlining would undoubledly produce disastrous effects on the ability of many states to remain competitive in the foreign trade market.

The Administration has also proposed cutting the total number of Trade and Tariff personnel by 698 employees as part of its Fiscal Year 1984 budget.

These cuts are projected to save Customs $26 million dollars in personnel costs. However, if this figure is compared to the $53 million dollars in entry errors found during Customs' 1980 study, the reasoning behind the proposed budget cuts appears quite short-sighted.

Past attempts by the Administration to centralize appraisement within each area of Customs service have proved inefficient, costly, and cumbersome. They were eventually scrapped, as the impossibility of "in-person" contact with import specialists began to result in the loss of valuable time and capital. If approved, the current proposals of allowing the arbitrary shifting of personnel in the trade industry at the expense of the localities will result in a grave setback, returning emasculated ports to an era when inefficiency dominated the import trade, and federal government responsibility was nonexistent. I strongly urge that proposals to reduce Import Specialists be rejected.

LETTER FROM JOHN MELCHER

April 22, 1983

The Honorable James Abdnor
Chairman
Subcommittee on Treasury, Postal
Service and General Government
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Attached is a petition with 50 pages of signatures from both Canadians and American citizens protesting the proposed closure of the port of Turner.

This petition was presented to the entire Montana Congressional delegation--Representatives Marlenee and Williams, Senator Baucus and myself--as an expression of the community interest in the preservation of this important port of entry.

I would greatly appreciate your making this petition part of the record at the hearing on April 25th dealing with the Customs Service budget.

Best regards.

Sincerely,

John Melcher

RESOLUTION

We, the undersigned members of the Chinook Area Chamber of Commerce, wish to protest closing of the Port of Turner, Montana, for the following reasons:

(1) Twenty years of effort on our part were realized last year when the road was finally paved.

(2) Closure of the port would leave 180 miles of border with no entry.

(3) Closure would isolate citizens on both sides of the border and sever many cultural ties.

(4) The increased cost of moving goods would far outweigh any savings.

(5) Closure would have a serious negative effect on the economies of Turner, Harlem, Chinook, Havre, Climax & Shaounavon.

(6) Closure would increase the flow of drugs across the border, resulting in greatly increased need for local police and Border Patrol protection.

(7) Establishment of a twenty mile "free zone" ignores the needs of communities on both sides of the border.

We respectfully request action on your part to keep the Port of Turner open at least as many hours as it has been previously.

Signed,

Andy's Service
Bar X Bar
Chinook Hereford Breeder's Assoc.
Bear Paw Livestock Commission
B & L Mechanics
Blaine Bank of Montana
Blaine County Abstract Co.
Blaine County Vet Service
B & H Farms...Isabel Bonifas
Bob & Jon's Home Bldg. Serivee
Brummer Construction
Bryant, Scharfe & Talmage
Cate's I.G.A.
Chinook Opinion
Chinook Public Schools
Chinook Vet Clinic
City of Chinook
Clear Creek Hereford Ranch, Inc. (Bob Sharples)
Coast to Coast
Davis Drug
Dave's Exxon
DePriest G.M.C. Sales & Trucking Inc.
Doughten Ford Sales, Inc.

Dr. Larry Obie
Dr. Robert H. Leeds
E & J Style Shop
F.O.E. Lodge No. 689
Gambles
Harbolt Agency
Hebbleman's Flying Service
Inman Insurance Inc.
Milk River P.C.A.
Jamieson Motors, Inc.
Lynn M. Minnick..PCA
Milk River Elevator Co.
Montana Power Co.
North Montana Broadcasters, Inc.
Northern Nat'l Gas Co.
Obie Flying Service
Paulson's Hardware
Pastime Lounge & Steakhouse
Pehrson's Exxon
Sias & Ranstrom..Moerer
Sharples Jewelry
Sowers Family Shop
Siert Construction
Sprinkle Agency
Talmage Valley Lbr.
Triangle Telephone Co-op Assn.
Valley Motor Supply Co.
Western Bank N.A.
Kuhr's Clotning
Mary MacLean
Peterson's Dept. Store
Cozy Corner
Hellman's Auto Parts,I
Edwards Funeral Home
Burns, Solem &MacKenzi
C.O Oil-Conco Bulk Pla

Letter From Senator John Melcher

April 27, 1983

The Honorable James Abdnor
Chairman, Subcommittee on Treasury, Postal
Service & General Government
Committee on Appropriations
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

Enclosed please find ~~four~~ letters from Canadian citizens protesting closure of the port of entry at Turner, Montana.

I would appreciate your assistance in making these letters part of the record of the hearing held April 25th.

Best regards.

Sincerely,

John Melcher

RESOLUTION

"**WHEREAS** reports indicate that the United States Government proposes closing some of the custom offices along the Canada/United States border, and

WHEREAS it appears the custom offices along the Canada/Montana border will be affected, and

WHEREAS the closing of the Custom Offices would seriously affect the economic situation of this part of Saskatchewan and create a hardship in restricting Canada/US trade, by eliminating the use of the border crossing in our area.

THEREFORE we express our concern of the closing of the Canada/Montana border crossing to the United States Government.

CARRIED"

Certified to be a true copy of a resolution passed by

the Council of the Rural Municipality of Arlington No. 79

on the 8th day of April 1983.

J. R. Ballentine, Sec-Treas.

Letter From Bryan Reeves, Secretary-Treasurer, Shaunavon Chamber of Commerce

Shaunavon Chamber of Commerce
Box 1048
Shaunavon, Saskatchewan
April 13, 1983

Leon Cederbrug
Turner, Montana

Re: Proposed Closure of Port of Turner

Dear Mr. Cederburg:

The Shaunavon Chamber of Commerce is upset and Disturbed over the fact that this crossing may be closed. Closure of this port hurts both sides as it will affect trade, culture, recreation and tourism.

First of all it is the only paved road that links our Saskatchewan's Number 1 Highway and Montana's Number 2 Highway. People living in the Turner area are now able to use any medical needs at Climax.

Closing of the crossing would pose nothing but problems for Friggstad Manufacturing of Frontier reaching their branch at Havre.

Recreational and cultural activities that are now being exchanged between Saskatchewan and Montana by our schools, sporting groups and others will come to an end.

Many people cross to spend money in purchasing clothes, parts, and other products or on vacations such as Las Vagas. Also our trade is affected by people from Montana coming to our town to spend money on various things.

Attached are letters from other communities, people and a petition showing that people are serious in thefact that a closure could make a significant affect upon your and our economic conditions.

Sincerely,

Bryan Reeves

Bryan Reeves
Secretary-Treasure
Shaunavon Chamber of Commerce

NONDEPARTMENTAL WITNESSES

STATEMENT OF JERRY D. KLEPNER, DIRECTOR OF LEGISLATION, NATIONAL TREASURY EMPLOYEES UNION

ACCOMPANIED BY:

- WILLIAM SAMUEL, LEGISLATIVE LIAISON
- JOHN SCHMAHL, PRESIDENT, ST. PAUL, MINNESOTA CHAPTER, AND IMPORTING SPECIALIST
- CAROLE McCLEARY, OFFICER OF THE MIAMI CHAPTER, AND IMPORTING SPECIALIST
- ANN GANEY, PRESIDENT, NORTH CAROLINA CHAPTER, AND IMPORTING SPECIALIST

Senator ABDNOR. At this time I am going to move on, and I am going to have the National Treasury Employees Union come forward.

Mr. Jerry D. Klepner, I think you are probably the one to turn this over to. If you would care to introduce your colleagues and proceed. You can summarize, you can submit your statement in any form you care. You just go right ahead.

STATEMENT OF JERRY KLEPNER

Mr. KLEPNER. Thank you, Mr. Chairman. My name is Jerry Klepner. I am the director of legislation, National Treasury Employees Union. With me, on my immediate right, are Mr. John Schmahl, who is president of our chapter in St. Paul, Minn., and an importing specialist. And on his right is Ms. Carole McCleary, an officer of our chapter in Miami, and also an importing specialist. On her right is Ms. Ann Ganey, president of our chapter in North Carolina, and an inspector. On my left is Mr. Bill Samuel, legislative liaison with the National Treasury Employees Union.

We are very appreciative, Mr. Chairman, of your calling these hearings this morning. You have been very supportive and understanding of the employees of the Customs Service, the programs and vital areas of the Customs Service, and we have a great many concerns with the program that is presently being reviewed by this subcommittee.

PREPARED STATEMENT

I would ask that my formal statement be made a part of the record and I would be very pleased to summarize at this time.

Senator ABDNOR. That would be fine, Mr. Klepner. Your full statement will be made a part of the record.

[The statement follows:]

STATEMENTS OF VINCENT L. CONNERY, NATIONAL PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION AND JERRY D. KLEPNER

I am pleased to appear before you today to register NTEU's strong opposition to the U.S. Customs Service's plan to centralize entry processing locations. The National Treasury Employees Union is the exclusive representative of over 125,000 Federal workers, including all Customs employees worldwide.

The decision to hold the hearings is an important public service, for which we commend and thank the Subcommittee. These hearings will afford Congress and the American people an opportunity to closely scrutinize a Customs plan that could have far-reaching effects upon Customs' ability to enforce the trade laws and upon the economic health of many of our communities.

Essentially, the Customs plan would reduce the number of locations where formal entries of merchandise are received and processed. This would be accomplished by transferring Customs Import Specialists from the 72 cities where they are now assigned to approximately 33 locations. The 72 current locations and the 39 planned for elimination, as we have best been able to determine from various Customs documents, are shown in Enclosure 1 appended to our statement.

Import Specialists are the technical and commodity experts who are the backbone of the Customs' trade operations. Import Specialists review entry summaries, ensure proper classification of merchandise in accordance with the Tariff Schedules, ensure that shipments are valued properly, scrutinize importations of sensitive commodities to enforce applicable quota or anti-dumping and countervailing duty requirements, make determinations that products are admissible under U.S. law, and enforce the requirements of many other agencies, such as the Agriculture Department and Food and Drug Administration, to ensure that imports are safe for consumption.

Import Specialists ensure that duties are correctly calculated and timely deposited with the Treasury. They are responsible for collecting over $10 billion in annual revenue. It is well recognized by Customs that the more Import Specialists there are assigned, the greater the revenue collection will be.

Import Specialists are in daily contact with the business communities they serve. They hold office conferences with manufacturers and importers to explain U.S. trade laws and apply their intimate knowledge of legal precedents and rulings to complicated questions relating to proposed importations. They make over 8,000 visits a year to the premises of importers to view product samples, verify invoices, inspect product markings, and explain Customs requirements. These contacts with the business community are an invaluable contribution to the economic health of the region they serve. Moreover they benefit Customs by assuring fewer errors in entry documents and fewer change liquidations (a "change liquidation" of an entry requires an upward or downward adjustment of the duty deposited when the entry documents were presented).

It goes without saying that the presence of one or more Import Specialists at a port of entry is of inestimable value to the business community, serves as a stimulus to foreign trade, and may even cause importers, brokers, distributors and warehouses to locate in the vicinity. The closure of Import Specialist offices would constitute a visible downgrading of the stature of the community as a port of entry, and raise justifiable fear of the loss of business to other regions. For example, in arguing against the transfer of two Import Specialists from Milwaukee, the port director told Customs:

> "If we don't have a full customs service here we are deeply concerned that they (importers) might go to Chicago."

A city official stated that many industries located in Milwaukee because of the port, and:

> "If you're saving peanuts by moving these people down there (Chicago) I can't see the reason for it. This could be very, very devastating to us."

An official of General Electric Company added that GE needed Import Specialists in Milwaukee because of the complex nature of the product line imported by the company.

> "Face-to-face contact, understanding and education is critical to our business,"

he told Customs. GE estimated that elimination of the Import Specialists would cost the company $200,000 a year in additional broker fees, duties, communications, personnel and training.

We believe that loss of service to the business community is the paramount reason why the Subcommittee should reject Customs' plan to close down full-service entry processing offices at 39 locations. Customs has not taken adequately into consideration the effect upon the economic health of these communities, nor has it provided the economic impact statement required by executive order.

There are several other cogent reasons why centralization of entry processing is a bad idea. We would like to briefly touch on the most important of these.

First, Import Specialists' physical presence at ports is essential to ensuring that correct data is submitted on entries. One of the most important services of the Import Specialists is pre-acceptance review of entry documents. During these reviews, numerous errors are corrected that increase the number of "no change" liquidations and result in the collection of $53 million a year in added revenue -- more than the cost of the entire Import Specialist work force.

A Customs survey of rejected entries conducted in May 1980 found that 16 percent of all entries reviewed by Import Specialists were rejected due to errors. Classification and valuation errors are the most numerous, and 549 entries of quota merchandise were erroneously presented as not subject to quota. In commenting on this last finding, the director of Customs' Office of Trade Operations stated:

> "The unlawful entry of 549 shipments of quota merchandise would have had catastrophic repercussions."

As a result of pre-entry review of documents by Import Specialists, Customs saves large sums of money by not having to process change liquidation. Each change liquidation costs Customs approximately $20 to make. At present, about 70 percent of total entries are liquidated with no change. If pre-entry review is no longer performed for many importers and brokers because of the relocation of Import Specialists, the number of change entries is bound to rise significantly. A total of 5 million formal entries are anticipated by Customs in FY 1984. If just 10 percent fewer entries were liquidated with no change, the additional change liquidations would cost Customs $10 million to process. This is equal to the entire amount of the budgetary savings claimed for the centralization plan.

Second, one of the most important functions of Import Specialists is to make on-the-spot determinations of admissibility. Under normal procedures, most imported goods can be released upon inspection by a Customs Inspector. However, there is a wide range of products for which immediate delivery cannot be allowed because of possible danger to the public health and safety, or economic loss, if the goods enter the stream of commerce. Such goods are quota-class merchandise, manufactures that might infringe upon U.S. patents or copyrights, medicines and chemicals that require proper marking, foodstuffs that require Agriculture or FDA certifications to protect consumers, importations that might be in violation of endangered species laws, and shipments that require a country-of-origin determination before entry can be permitted. The presence of Import Specialists at the port, where they can physically inspect shipments and take samples for laboratory testing if required, is essential for proper admissibility determinations. This function cannot be delegated to Inspectors because technical knowledge of commodities, and of applicable Customs rulings and legal precedents, is required.

Third, Import Specialists' personal knowledge of the importer and broker community, together with their ability to verify invoices by visiting premises to inspect purchase orders, vouchers, and records of payment, are important for the detection of commercial fraud and effective enforcement of our trade laws. Most commercial fraud cases start with a referral from an Import Specialist. This may trigger a follow-up regulatory audit or investigation by other components of Customs. These activities are uniquely dependent on the crucial role the Import Specialist plays in fraud detection through document verification and ability to note when something "isn't right" about an importation. If Import Specialists are moved hundreds of miles away from the importing community at a port, trade law enforcement is bound to suffer and instances of undetected commercial fraud will multiply to the detriment of American workers and American industry.

Fourth, relocation of Import Specialists would break up the Import Specialist/Inspector team that is vital to the smooth operation of our ports of entry. The range of commodities that an Inspector must examine is too great to permit him the expertise needed for a proper inspection and determination of admissibility. Consequently, the Inspector depends upon the Import Specialist to provide him with expert information, and the Import Specialist may often join in the inspection. Such teamwork is the bedrock of the entire system. It has, for example, prevented botulism-contaminated foodstuffs from entering the stream of commerce. By removing the Import Specialist from close contact with Inspectors, there is a greater likelihood of a shipment being released before its inadmissibility is discovered. Import Specialists can best perform their duties on the line -- close to the trade community and the Inspectors -- and not at some location far removed from the ports of entry.

Fifth, Customs experimented with a similar system of centralized entry processing several years ago. Under this system, Import Specialists at different ports were assigned commodities for which they would have responsibility for classification and appraisement. Merchandise imported at one port might have its entry processed at another port. This experiment proved a complete failure. Not only did it take longer to process the entry, but it became virtually impossible to contact the Import Specialist who was actually responsible for reviewing it. As one Customs Broker recalled the experience:

> "This method proved to be very costly and cumbersome to the U.S. Customs Service; therefore, this plan or program was discontinued. Almost immediately, there was a remarkable improvement in the appraisement of merchandise."

We believe Customs is now heading in the direction of repeating this unfortunate failure.

Customs asserts that its plan will achieve budgetary savings through reduced overhead, and facilitate automation by permitting larger numbers of entries to be processed at one central location. But automation will be of little benefit to Customs if much of the broker data submitted is incorrect. It is the presence of the Import Specialist in the trade community that permits a relatively high percentage of correct entries. The increase in the number of change liquidations resulting from centralization would alone wipe out the purported budgetary savings of $10 million. Moreover, Customs has failed to adequately consider the substantial economic impact on the communities that would lose Import Specialsts, and the impact on industry of a reduced capability to detect commercial fraud.

We therefore call upon the Subcommittee to insist that Customs cease at once all current and planned relocations of Import Specialists, to lift the hiring freeze on Import Specialists in districts where such a freeze exists, and to promptly fill vacant Import Specialist positions at ports where such positions are authorized. In its bill to make appropriations for the Treasury Department for FY 1984, the Subcommittee should bar the use of appropriated funds to implement any plan for the centralization of entry processing locations. Pending passage of this legislation, the Subcommittee should make clear to the Commissioner of Customs that it expects him to abide by this intent in any actions or decisions he may take in the interim.

We greatly appreciate the opportunity to participate in these hearings. Seated with me are two experienced Import Specialists and an experienced Customs Inspector who have traveled here to attend this hearing, and who are intimately familiar with the issues before you today. They will join me in answering your questions.

ENCLOSURE 1

U.S. Customs Service

Current Duty Assessment Locations Where Import Specialists Are Assigned

Locations targeted for elimination are indicated by: * Definite
** Planned

District Offices	Ports of Entry
** Portland	
St. Albans	
Boston	
** Providence	
** Bridgeport/Hartford	
Ogdensburg/Champlain	
Buffalo	
N.Y. Seaport	
JFK Airport	
** Newark	** Perth Amboy
Philadelphia	* Pittsburgh
Baltimore	
Norfolk	
Washington, D.C.	
** Wilmington	* Charlotte
Charleston	** Greenville/Spartanburg
Savannah	** Atlanta
Tampa	* Jacksonville
Miami	* Pt. Everglades
	** W. Palm Beach
New Orleans	
** Mobile	
Houston	** Port Arthur
	** Galveston
Laredo	** Brownsville
	* Eagle Pass
	** Hidalgo
	** San Antonio
El Paso	** Denver
Dallas	

District Offices	Ports of Entry	
* San Diego	** Calexico	
	San Ysidro	
Nogales	* Phoenix	
Los Angeles	Los Angeles Airport	
San Francisco	** S.F. Airport	
Portland	** Longview	
Seattle	** Tacoma	
	** Blaine	
** Anchorage		
Honolulu		
* Great Falls	* Sweetgrass	
Pembina	* Portal	
Minneapolis		
** Duluth		
** Milwaukee		
Detroit	** Port Huron	
Chicago		
Cleveland	Cincinnati	
	* Toledo	
St. Louis	* Wichita	
	** Kansas City	
42	30	TOTAL DISTRICTS AND PORTS

CURRENT ENTRY PROCESSING LOCATIONS	72	
TOTAL SCHEDULED FOR ELIMINATION	13	(Definite)
	26	(Planned)
	39	(Total)
TOTAL REMAINING AFTER CENTRALIZATION	33	

CENTRALIZATION OF APPRAISEMENT

Mr. KLEPNER. The specter of centralization of appraisement, the elimination of approximately one-half of the appraisement centers in this country has been hanging over the heads of the employees and interested parties far too long. Try as we might, over the past 1½ years, we have been unable to get detailed information concerning the specific impact of this proposal, as well as which ports would be shut down, as far as the import specialists' function is concerned in the country.

As I mentioned, we are gravely concerned by the proposal, and in our experience it has little support. It is not supported by the employees, it is not supported by the brokers, it is not supported by and large by the importing community, nor in some instances is it even supported by customs officials.

We believe that this proposal interferes with the traditional import specialists-inspector relationship, a relationship that is a key to the smooth processing of cargo in this country. We believe that it has a very negative impact on the importing community, brokers and the communities in which these industries are located.

We believe that it is a costly proposal. In the long run, it will not save money for the U.S. Customs Service, but will result in a reduction in revenue for our Treasury.

We also believe that it is a proposal which is by and large untested. It is theoretical. It has not been implemented, it has not been in a test location, it has not been demonstrated to be effective and, as any businessman knows, before making any major change in modification, any function of the business, the smart thing to do is to test it, and to take a close look at it, and then to make some decisions.

Finally, we believe the manner in which the Customs Service has dealt with this proposal has left a work force in turmoil. Many, many people are uncertain that they will have jobs in the communities that they work, in the communities that they live, that they have become a part of, and for many of them the communities in which they have grown up. It is not easy to relocate a family, to severe your ties in one community, and move into another community. It is difficult, even if substantial notice is given to the employees.

Yet, in this instance, the ports are being identified on piecemeal bases, people are not being given adequate time to adjust, to make the necessary arrangements, to make the necessary determinations as to how their careers will be affected, how their families will be affected. They are not given the consideration that we believe is essential to the fair treatment of the work force.

In this situation, it is not at all unlikely that we now have a work force that is not as productive as it should be. They are concerned, they are frightened, and their thoughts are on what their future may be. It is not a proposal, we believe, that is substantively sound, it is not a proposal that we believe today has been implemented in a proper or orderly fashion.

With that, Mr. Chairman, I know that the members of the panel who are with me also have some short statements that they would like to make. We would be very happy to answer any questions that you may have.

STATEMENT OF JOHN SCHMAHL

Mr. SCHMAHL. My name is John Schmahl. I have been an import specialist in Minnesota for approximately 13 years in the Port of Minnesota. When I started with what is now the U.S. Customs Service, it was called the Bureau of Customs. In 1973, the name was changed to the U.S. Customs Service, and I quote from a letter that came out at that time: "The purpose of this change was to emphasize the public service orientation of Customs in carrying out its mission."

The present management, I think, would like to change that to the U.S. Customs no service. Compliance with the laws of the United States requires that the individuals who are going to import have a source of information. When the laws require something done, we must provide easy access for these people to know exactly what must be done in order to comply with the law.

By taking the import specialists out of the ports where they are, presently consolidating them into lesser or into few areas, if you cannot find out what you must do, what you intend to do, what makes you feel best, if there is not an import specialist available to tell you what you must do in order to comply with the laws, you will tend to do what you think might be right.

I am very proud of the job that I have as an import specialist, and as the—in providing service to the importing public. I am also concerned with compliance of the laws of the United States, and the trade community. I feel that I am in some way a protector of American industry by making sure that the different trade agreements are complied with, and I believe in the job that I hold in that it is important that the import specialist be located where his importers are located. Because you must know your importers. You must know their merchandise in order to be certain that correct laws are being applied, and that the merchandise is being classified correctly.

If you are located 4 or 500 miles away from where your importers are located, there is just no way to become a knowledgeable person on this merchandise.

I just want to say that I believe that it is a great disservice to the importing public and a negative aspect to the enforcement of the customs laws to move the import specialists from the place that they are now located.

Senator ABDNOR. Thank you, Mr. Schmahl, for your testimony.

STATEMENT OF CAROLE M'CLEARY

Ms. MCCLEARY. My name is Carole McCleary, and I am an import specialist in the Miami region. In Miami, we are in sort of a better position in that we are shorthanded for our present needs, of importing specialists.

I might say, Mr. Chairman, that I appreciate the opportunity to come today. My background is I have worked for several Government agencies, and I can say truthfully that I have never worked harder and put in more man-hours than as an import specialist. I worked for the VA Administration and the Corps of Engineers.

Senator ABDNOR. You are in Miami?

Ms. MCCLEARY. I am in Miami right now.

I would like to say that I am particularly concerned about the import specialists being taken from the Port of Port Everglades. There will be no overhead savings at all. That building is there, the lighting is there, your inspectors are there, the workload is there for her. When she comes, she will bring her workload with her. We are already short staffed. So there is nothing to be gained by taking import specialists from Port Everglades.

I might also say that I brought with me, and I will present to you, a news release issued by the Public Affairs Office of the Customs Service, January 2, 1979. The title of this memorandum is "Centralized Appraisement in the Customs Miami Region." The reason it was entered, sir, is that on a trial basis, for about 5 years, and I can quote to you what they refer to as centralized appraisal memorandums that were put out during this testing period, and I will cite some of the problems that were encountered.

This particular memorandum addressed the problem that they had collecting samples. This particular memorandum, problems that they had enforcing laws that were—regarding other agency requirements, like Food and Drug, Agriculture, things like that. The problem of missing bondable documents to prove the exact truth of the accuracy of the merchandise. The problem with doing importers' business, going out to the community, there was a shortage of travel funds, that people not available on the site to give interviews that were necessary to perform our job.

Senator ABDNOR. Would you like to make those a part of the record?

Ms. MCCLEARY. Yes, sir, I would.

[The information follows:]

MARCH 12, 1976.

To: All District Directors (except Virgin Islands).
From: Director, Classification and Value Division.
Subject: Centralized Appraisement Memo No. 23.

Recently a protest was filed on the next to last day of the protest period against the liquidation of an entry filed in one district and appraised in another under the centralized appraisement program.

By the time the protest was received at the district where entry was made it was untimely.

In this case, the importer of record and protestant was a customhouse broker who ought not, if he were reasonably prudent, to have been misled by the receipt of CF 28 and 29 from the appraising port into thinking the protest could be filed elsewhere than in the port or district of entry.

However, to avoid the possibility of confusing an inexperienced importer or hindering any importer's opportunity to protest, District Directors are asked to insure that all interested persons know that protests must be filed in the district of entry, regardless of where appraisement takes place.

JAMES F. HOLT.

REGION IV, MIAMI, FLA., *March 26, 1976.*

To: All District Directors—Region IV (except Virgin Islands).
From: Director, Classification and Value Division.
Subject: Centralized Appraisement Memo No. 24.

Attached is a memorandum which proposes the decentralization of TSUS item 700.60 and presents reasons and statistics the team concerned believes justify the decentralization.

Please consider the matter with those in your district who are knowledgeable about footwear importations and give us your opinions on the proposal not later than April 16.

(Signed) JAMES F. HOLT.

MARCH 22, 1976.

To: James C. Mahony, Operations Officer, Classification and Value, Region IV.
From: Wilbur L. Smith, Import Specialist, Classification and Value Division, District Office.
Subject: Footwear Classifiable Under TSUS 700.60.

The statistics below are offered in conjunction with the recommendation that the appraisement of footwear classifiable under TSUS 700.60 no longer be accomplished on a regionally centralized basis. Accordingly, it is requested that the interpretation of these data take into account the high frequency of samples required for this type of footwear, and the problems associated with the obtaining, transmittal, and entry-correlation of these samples under the centralized apraisement system, as previously identified by this office. It should also be noted that: (1) shipments of footwear in this particular category must generally be reported via CF 6431 to the customs information exchange on a repetitive, nearly 1-to-1 (manufacturer: report) basis, in order to determine the applicability of appraisement on the basis of "American selling price" (T.A., section 402a(g)); and, (2) the procedure just described-involving a single, authoritative source of valuation data-minimizes the need for a highly refined expertise on the part of the import specialist in the field.

TWO WEEK PERIOD March 8–19, 1976

Port of entry	No. of entries covering merchandise classifiable under 700.60	No. of entries in all categories of footwear
Miami	7	76
Tampa	3	7
Jacksonville	9	24
Savannah	12	75
Atlanta	9	28
Charleston	24	75
Wilmington	1	2
Charlotte	1	12
Totals	66	299

WILBUR L. SMITH,
Import Specialist.

APRIL 15, 1976.

To: District Directors (except Virgin Islands).
From: Director, Classification and Value Division.
Subject: Centralized Appraisement Memo No. 25.

1. We have received a memorandum from the Director, Classification and Value, at Wilmington in which (a) a commodity reassignment is announced, which amends Centralized Appraisement Memo No. 15: rubber, 446.05–446.30, From: Forcum, J., Shepard, P., To: Tomes, R. and (b) a proposal is made to decentralize certain commodities, namely: perfumery, cosmetics and toilet preparations, 461.05–461.45: soap and synthetic detergents, 466.05–466.30; viruses, human blood, et cetera, 437.76.

Quoting the Director, Classification and Value, at Wilmington: "Each of these commodities are subject to food and drug release. The perfumery, cosmetics, toilet preparations, and soap may be trademarked articles, which often present problems best handled at the port of entry. The 1974 value of this merchandise imported in the Wilmington district in 1974 was less than $1,000."

Any comments or suggestions are welcome. Please reply not later than April 30.

2. We are not opposed to refinements of the centralized appraisement program, if they can be shown to be practical. However, we are deeply involved at this time in urgent preparations for implementation of EIS in the Miami district. Because of centralized appraisement, all participating districts are involved. Instability in commodity assignments at this time will seriously complicate effective implementation of EIS. We ask, therefore, that any other prospective propoals to amend the program by changing port/commodity assignments be deferred.

3. The District Director, Savannah, has reported that when region IV form IV–RC–80 (request to review protest) is attached to a protested entry and mailed to the appraising port for its recommendation, the form is usually returned unsigned by the import specialist. The import specialist who completes this form should include all pertinent information, and should sign the form, making it clear who is recommending approval or denial.

JAMES F. HOLT.

May 27, 1976.

To: All District Directors—Region IV (except Virgin Islands).
From: Director, Classification and Value Division.
Subject: Centralized Appraisement Memo No. 29 (regarding missing documents).

Refer to Centralized Appraisement Memo No. 21, page 2, item 3, pertaining to the SCI (special customs invoice).

In two recent reports of audits in this region, the Director of Internal Affairs has referred to this memorandum in connection with problems uncovered in the control of missing documents. Specifically, the auditors have found a great volume of bond charges for the production of SCI's; and have found that very often import specialists are able to appraise and classify entries without the SCI's. Since the control of missing documents and the determination by import control whether import specialists need or will waive missing documents on specific entries involve many man-hours of work, the auditors have suggested it may be practical to forego the automatic bond charge for missing SCI's, as explained in Memo No. 21.

I encourage all District Directors to consider this expedient, toward the elimination of unproductive labor.

James F. Holt.

September 1, 1976.

To: All District Directors—Miami region (except Virgin Islands).
From: Director, Classification and Value Division.
Subject: Centralized Appraisement Memo No. 34, on significant first importation visits to out-of-district importers of centralized goods.

In fiscal year 1976 a shortage of funds for travel has worked against our region's ideal participation in the program announced in headquarters circular APP-1-AC—December 27, 1971. We regret particularly that appraising import specialists have had little opportunity to interview, at their premises, out-of-district importers whose goods they classify and appraise under the centralized appraisement program.

In the hope that fiscal year 1977 funds will be more adequate, we ask that each District Director obtain from all import specialists involved in centralized appraisement a list of the names and addresses of importers (up to three per import specialist team) most deserving of importer's premises interviews who have not been interviewed as contemplated by AP-1-AC—December 27, 1971, because of location distant from the appraising officer's work place. Also, any import specialists who believe it would be profitable, in connection with centralized appraisement examination or other problems not readily solvable by phone, to visit colleagues at another port, should be asked to identify such other port(s).

Please mail responses to this office not later than October 1, 1976.

James F. Holt.

February 1, 1977.

To: All District Directors (except Virgin Islands).
From: Director, Classification and Value Division.
Subject: Centralized Appraisement Memo No. 36 (proper and timely mailing of entries to ports of appraisement under centralized appraisement).

Two problems involving mailing of packages of entries of centralized commodities have recently surfaced:

(1) Some ports have reported receiving boxes of entries on some of which timely statistical reporting is impossible because the entries are a month or more old when received at the port of appraisement. Timely mailing is not unduly burdensome. Most of our districts manage it; all should do so. Boxes of C/A entries for another port should henceforth be plainly marked "C/A:EXPEDITE" and should be promptly distributed at the receiving port.

(2) TSUS items 678.5060 (adult tricycles), 706.04–705.60 (handbags) and 732.02–732.36 (bicycles) are appraised by the import specialist team at Port Everglades and should be mailed directly there, addressed to: Port Director of Customs, Port Everglades, P.O. Box 13123, Ft. Lauderdale, Fla. 32316.

JAMES F. HOLT.

NOVEMBER 3, 1978.

To: All District Directors (except San Juan and the Virgin Islands).
From: Director, Classification and Value Division, Miami region.
Subject: Centralized Appraisement Memo No. 51 (decentralization of trigger price steel).

Effective November 15, 1978, the appraisement of steel subject to the trigger price mechanism is decentralized. Appraisement and CF 5520 (SSSI) processing will be done in the districts of entry.

Decentralization is necessary because of growing backlogs of SSSI's at Tampa and Jacksonville and because headquarters has stated that SSSI's must reach the trade analysis branch within 2 or 3 days of entry—an impossibility under centralized appraisement.

The TSUS items decentralized are all of those listed under Tampa district in C/A memo 46 of June 16, 1978 (q.v.) beginning with 608.15 and ending with 690.3000.

The Tampa district will process entries mailed from other ports prior to November 15. Mr. Karl Mliler, at Tampa, may be consulted for expert advice on SSSI processing. Also, after the various districts have determined who will be working the steel entries, we will consider a TPM conference at an appropriate location for the affected import specialists in which the procedures will be explained and discussed. We, therefore, ask that you give us as soon as possible the names of the team leaders who will handle TPM steel. Packages including TPM prices and instructions will follow.

JAMES F. HOLT.

JANUARY 15, 1975.

To: All District Directors—Region IV (except Virgin Islands).
From: Director, Classification and Value Division.
Subject: Centralized Appraisement Memo No. 20 (transmittals and GSP interim instructions).

1. Following up on memorandum APP-1-O:C JM—December 5, 1975: After studying the helpful responses form all concerned, we have decided:

(a) Ports should accept voluntary tenders only for entries on hand. For centralized goods, the entry will be retrieved from the liquidation branch if it was transmitted there (see (b) below) or from the port of appraisement. The reasons for this are to avoid liquidation errors and duplication of effort (the import specialist will often correct on his own the same error on which a voluntary tender is based).

(b) Effective February 1, 1976, each district/port shall send complex change entries to the liquidation branch with a transmittal letter; each shall transmit only its own entries. Complex change entries from another port shall be returned for preparation of a transmittal letter there. In so deciding, we are not overlooking the point (eliminating an extra mailing) made by those who preferred that all centralized appraisement transmittals be made by the appraising port; rather, we feel that advantage is outweighted by the advantages (fewer and probably more accurate transmittal letters; less paper copying) derived from each office's transmitting its own entries.

2. GSP/centralized appraisement—Interim instructions:

(a) If value is under bypass limit and form A attached, port of entry will work.

(b) If value is under bypass limits and form A is missing, District Director at port of entry may waive form A (up to March 31, 1976) and work at once or change bond for form A and work when supplied (or not supplied).

(c) If value is over bypass limit, entry shall be sent to centralized appraisement port with form A attached or bond changed for its production, which may be wavied by appraising port up to March 31, 1976.

JAMES F. HOLT.

TIMELY STATISTICAL REPORTING

Ms. McCLEARY. The problem with timely statistical reporting to the Bureau of Census, or to the Profession of Trade Statistics is so important in our multilateral trade negotiations. The problem with just implementing and executing special trade programs like steel, sugar price exports. These particular problems culminated in the ending of the centralized appraisal of 1979.

So I find it hard to understand why we are going through this program again when there are no overhead savings, there is nothing to be gained in our job, and we cannot enforce the laws that we were hired to do, hired to enforce. Our jobs are particularly specialized.

My particular line of merchandise is wearing apparel from South America. That is done under our Tariff Schedule 807, offshore assembly operations. Most of these wearing apparel items are under subject of quota and visa. I have to be at my port, physically examine the papers, so that I can see whether that merchandise is what they say it is. Is it manmade fiber, or is it cotton, so that the proper quota or visa papers are in order before I release that merchandise, before I as an importing specialist designate that it can be released.

We check the quota. So my job is important. If I am not in the Port of Miami, there is no one there to do my job. If Ms. Garner, the chemical specialist in Port Everglades is to be taken from that port, there will be no one there to examine those quota fees, or those export certificates for steel.

We have asked the port director—I believe Ms. Croston, who is the spokeswoman for the Port Everglades Authority there, has asked the port director what is the plan for Ms. Garner to be brought back in on April 18 to the Port of Miami, and they have no plan for handling that merchandise. There is going to be no one there.

I might say, Mr. Chairman, if you could pay particular attention to that one location, because she is under orders to come to Miami on May 15, and without someone's intervention she will be required to report on that date.

Senator ABDNOR. What date is that?

Ms. McCLEARY. May 15. She had an extension from April 15 to May 15. So I would ask your particular attention to that.

Thank you.

Senator ABDNOR. Thank you.

You will submit them?

Ms. McCLEARY. Yes; I will.

Senator ABDNOR. Very fine.

STATEMENT OF ANN GANEY

Ms. Ganey. Mr. Chairman, my name is Ann Ganey, and I am inspector from Wilmington, N.C. I represent the import specialists for the State of North Carolina.

The import specialists are responsible for proper tariff classification of importing merchandise. They furnished statistics of importing merchandise, country of origin, quantity, legal value, tariff item number, Bureau of Census. These statistics are used extensively by Government agencies and the business community.

The import specialists are responsible for enforcing quota and other sensitive import items, such as steel mill products, automobiles, and textiles. To carry out these duties, the import specialists must maintain close relationships with the importing public, and be readily available for any questions pertaining to these transactions.

If the Customs Service does intend to relocate the North Carolina import specialists, I believe this proposal is shortsighted for the following reasons.

Removing the import specialists from North Carolina would damage the shipping industry in the State, brokers would be required to send all paperwork to the nearest port, which would be Norfolk, Va., or Charleston, S.C., for appraisement and classification of the merchandise. The resulting delays would make North Carolina a far less attractive port of entry. It would cause delays in having licenses approved for vessels calling at Wilmington for the discharge of petroleum products.

Many times the prompt discharge of such cargo is critical to industry across the State. Second, the import specialists and inspectors work closely together in obtaining samples of all types of product and quantities, to insure the correct tariff classification and duty assessment.

If these people were transferred, required samples would have to be mailed, resulting in delayed classification and considerable inconvenience to the importers.

In the case of textiles, where minor differences in ornamentation can result in significantly greater duties being assessed, the delay in having the commodity released would cost the importer several thousand dollars, or could discourage the proper classification of these items.

Further, one wonders if the import specialists in Charleston, S.C., or Norfolk, Va., would not give greater priority to the work coming out of his or her own port. Approximately 3 years ago the Customs Service hired three import specialists to Charlotte, N.C., to better serve the importing public.

Now the Customs Service not only proposes to close this portion of the Charlotte office, but apparently proposes to close the Wilmington import specialist office as well. Such a proposal is illogical and a poor use of Government money, particularly as a Customs Service transport import specialist from Wilmington to Charlotte against his will, approximately 3 years ago, and at a considerable expense to the Government. Now they propose to transfer him back to Wilmington, and possibly in a year to Norfolk, Va.

At a time when agencies are required to exercise austerity, it is baffling that the Customs Service would choose to move so many individuals, and spend so much money for no apparent constructive progress.

Further, some of the import specialists in North Carolina may be unable to move due to family commitments. As a result, the Customs Service will lose individuals from proven competent and years of service experience. As you are aware, we are concerned that with these proposals, the Port of Wilmington, possibly would be treated as a second class port as far as Customs is concerned.

With the recent growth and expansion of the Port of Wilmington, and the construction of I–40 through Wilmington, it is difficult to understand why Customs would consider moving an important part of the Customs fund, one that serves the public, and contributes to the abridgment of the State's industry.

For the above reasons, we believe that Customs Service, for progress to move the import specialists out of North Carolina would be of no advantage to the Customs Service, the local business community or the employees involved.

Thank you.

Senator ABDNOR. Thank you.

TEST IN THE MIAMI PORT

Mr. KLEPNER. Mr. Chairman, if I may just add two things. First, the test in the Miami Port that Ms. McCleary mentioned, was a test we have been told of a different type of appraisement program, different centralization proposal, and that the one that the Customs Service has been planning on implementing at this time is different in nature than that one.

However, that one did fail, and it failed to the extent that the Customs Service withdrew the program.

Second, we have a letter from an importer in North Carolina which we would like to insert into the record, and just to read one or two sentences to you from that letter, to get, I think, a picture of how the importing community feels about this proposal.

The importer states that:

> U.S. Customs personnel in North Carolina have played a major role in our opinion, in the growth of the North Carolina ports. U.S. Customs personnel have played a major role in the expeditious clearance of imported cargo through the ports of North Carolina. By placing our ports under the district in Norfolk, Va., we, of course, feel left out in the cold. The closest import specialist which we would have contact with would be Norfolk, Va. Therefore, each time we had a question it would be necessary to place a long distance call to Norfolk, and discuss the problem, whereas now, within 5 minutes we can be in the Customs office discussing our problem face-to-face with an import specialist, or with other Customs officials, as necessary. We think that we are headed for another disastrous experience if the Customs business are reorganized as we heard that they will be.

Senator ABDNOR. Is that part of your written statement?

Mr. KLEPNER. It is not part of the written statement that we have. We will present it to you.

Senator ABDNOR. Then we would ask that it be made a part of the record.

Mr. KLEPNER. Yes, sir, we would be happy to, Mr. Chairman.

[The statement follows:]

STATEMENT OF VINCENT L. CONNERY, NATIONAL PRESIDENT, AND JERRY D. KLEPNER, NATIONAL TREASURY EMPLOYEES UNION

Mr. Chairman and distinguished members of the Subcommittee: As the exclusive representative of over 125,000 Federal workers including all employees of the U.S. Customs Service worldwide, we are pleased to appear before you today to discuss the appropriation for the U.S. Customs Service for Fiscal Year (FY) 1984.

The Appropriations Subcommittee's annual review of Customs' programs and resources has proven invaluable to ensuring effective congressional scrutiny of the Administration's funding requests for this vital law enforcement agency. As the Subcommittee well knows, countless national interests have a stake in effective enforcement of our Customs laws, including business, labor, agriculture, and the travel and tourism industry. Moreover, our country's long-term health and security depends upon effective policing of our borders, halting the flow of critical technology to unfriendly nations, and interdicting the illicit drug traffic that has such a crucial effect upon the level of violent crime.

We cannot protect these interests and achieve these goals without providing Customs with adequate capability for enforcing the Customs laws. In recent years, this has required a gradually increasing level of resources, because of the strong growth of international trade and tourism, the need to protect our domestic automobile and steel industries, the escalating drug threat, and our strategic interest in export control. The key question then is: "How much is enough?" To answer this question, we need to weigh the cost of additional resources against the costs to society of inadequate enforcement of the Customs laws.

Under the Reagan Administration, the Office of Management and Budget has basically opted to shut its eyes to the growing Customs workload and the costs of law enforcement to our vital interests. In each of the Reagan budgets for the Customs Service, in FY 1982, FY 1983, and sadly FY 1984, OMB has chosen to keep the total appropriation for the Service at essentially the same level as the previous year. This has forced OMB to propose huge personnel reductions in order to maintain essentially constant outlays.

These Reagan budgets, which called for a decline in the level of real Customs resources in the face of a growing workload, were totally unrealistic and were so perceived by Congress and the travel and trade communities. Last year, OMB recommended a reduction of 2,600 permanent positions, including 1,200 Inspectors, in order to maintain funding at the level of $499 million. With this Subcommittee in the lead, Congress decisively rejected this budget by restoring all the positions cut and providing additional funds for export control and narcotics enforcement, with a funding level of $544 million. Including the supplemental for pay and the new Medicare tax, the FY 1983 total funding level is $571 million.

The Administration's request for Customs in FY 1984 is cast in the same fiscal straitjacket as last year. This budget contains some welcome increases which we have long advocated, such as additional funding for Operation Exodus, drug enforcement, and procurement of a second air module for air patrol operations. However, these increases are paid for by offsetting reductions in personnel totaling 2,000 positions, including 820 Inspectors, 300 Import Specialists, and 100 Patrol Officers. In addition, OMB proposes a further cut of 170 Inspectors because of a decrease in reimbursable funds, which stems mainly from a reduction in the Department of Agriculture's appropriation (the Animal and Plant Health Inspection Service of DOA reimburses Customs for a certain number of Inspector positions used to perform agriculture protection functions). The total FY 1984 funding level requested by OMB is $578 million, a mere $7 million above the FY 1983 authorized level with the supplemental.

We can see in this budget very clearly the effects of a freeze in the dollar level of this agency's spending. The freeze requires an actual cut in real resources of $80 million (the dollar cost of 2,170 positions) or 12 percent. Measured in terms of the decrease in positions, the real reduction is 15 percent of total staff-years. In addition, RIF costs totaling $20 million would be incurred including funds for severence pay, annual leave and unemployment compensation.

We have computed that a maintenance budget for FY 1984, which provides for the program increases proposed by the Administration, and fully restores the reduction of 2,170 positions, is $60 million above the Administration's request. This maintenance budget would allow $639 million and 13,918 average positions and would save $20 million in RIF costs.

However, such a budget makes no provision for workload growth at the nation's air, land, and sea ports, or for improved border enforcement against the escalating threat of drug-runners and illegal immigrants. Consequently, NTEU recommends an additional $15 million above the maintenance budget, to provide for an additional 200 Inspectors, 150 Import Specialists, and 50 Customs Patrol Officers. We believe this budget to be the minimum essential requirement for effective Customs operations in FY 1984, and we strongly recommend that the Subcommittee authorize our budget of $654 million and 14,318 average positions.

To summarize, the NTEU recommended budget would:

-- restore the 2,170 positions recommended for elimination by the Administration;

-- fully fund the program increases for Operation Exodus, the Summer Olympics, organized crime drug enforcement, second air module, and ADP equipment supported by the Administration;

-- provide for an additional $15 million and 400 average positions for personnel in critical line functions where there is presently a huge gap between workload and resources.

Mr. Chairman, the NTEU recommended budget is $75 million above the President's budget request for Customs. This is a large amount. However, we would like to stress that all but $15 million of this amount would be used to restore 2,170 positions recommended for elimination by the Administration. The seemingly large increase we have recommended is due to the totally unrealistic reductions proposed by the Administration -- reductions that were decisively rejected by the Congress in the FY 1983 Continuing Resolution passed a scant 60 days ago.

In your deliberations on whether to adopt the NTEU proposal, or to accept some or all of the cuts proposed by the Administration, we ask the Subcommittee to keep in mind the following points.

First, the FY 1983 budget approved by Congress provided the first increase in Customs resources in eight years. From FY 1975 to FY 1983, Customs resources remained essentially static (see Table 1 appended to the end of our testimony) despite a 65-80 percent growth in workload during that period. The increase made in FY 1983 went almost entirely to two new programs, Operation Exodus and the South Florida Drug Enforcement Operation.

Second, NTEU has consistently maintained, and the reports of this Subcommittee and the General Accounting Office have confirmed, that for almost a decade Customs has been stretched thin by a growing imbalance between workload and resources, leading to wide areas of minimal enforcement or non-enforcement. Examples are inadequate controls over outbound shipments, only general supervision of cargo unlading, inspection of barely .3 percent of containerized shipments which comprise 70 percent of seaborne cargo, reduced oil import gauging, and a virtual "honor system" for yachts and boats entering our seaports. These conditions, which still exist despite the additional resources provided in FY 1983, are symptomatic of a general breakdown in enforcement that will require several years of growing resources to correct.

Third, Customs is a revenue-producing agency which collects an average of $19 for every dollar spent. An incremental increase in Inspectors or Import Specialists would yield a minimum return of 3 to 1, according to Customs. GAO studies have indicated that much revenue is lost from inadequate inspection of containerized cargo and inadequate verification of merchandise entries. The evidence strongly indicates that Customs is definitely operating at resource levels where additional staff would yield revenue increases greater than their cost.

Fourth, while it may be tempting to make economies, as has been the practice in recent years, at the expense of a law enforcement arm such as the Customs Service, in the long run this is extremely unwise because reductions only rebound as increased costs in other parts of Federal, State, and local budgets.

The Administration's FY 1984 budget proposal would result in the wholesale dismantling of the protections afforded the American manufacturer, the American worker, and the public through effective enforcement of the Customs laws. Once again the burden is on Congress to formulate a rational policy, and to begin this year by providing essential resources to eliminate congestion at our ports of entry, stem the decline in enforcement, and lay the foundation for a modern, effective Service in the future.

We welcome the opportunity to participate in this task as the representative of the thousands of dedicated Customs employees whose service is of inestimable value to the nation, yet who have been remarkably ill-served by this Administration.

In the remainder of our testimony, we would like to call attention to the manner in which our society and economy are dependent upon Customs law enforcement, and the social and economic costs of inadequate enforcement. We would then like to discuss each of the principal areas of Customs activity -- Inspection and Control, Tariff and Trade, and Tactical Interdiction -- in some detail, reviewing major problems and issues in each. We will conclude with our recommendations for an alternative budget for Fiscal Year 1984.

Social and Economic Costs of Inadequate Enforcement

As the nation's principal border enforcement agency, Customs is responsible for processing the flow of merchandise and travelers at over 300 ports of entry, and for interdicting the movement of illegal narcotics and contraband between these ports. With approximately 15,000 full- and part-time personnel, Customs watches over a frontier that is 26,000 miles in length as the crow flies, and 100,000 miles if measured by the length of the tidal shoreline.

In recent years, as the economy has become increasingly open to foreign trade, international travelers have visited our country in record numbers, and illegal narcotics traffic and immigration has risen, the challenge to Customs enforcement has increased and brought with it a requirement for additional resources. The question then becomes one of weighing the cost of the additional resources against the costs to society of not adequately enforcing the Customs laws. The following are important national interests protected by Customs, where lax enforcement would be extremely costly to the economy and society.

1. Controlling the Export of Critical Technology

Until recently, one of the largest areas of Customs staffing deficiency was the outbound clearance of exports. Faced with a rising tide of imports, the resources for monitoring exports were gradually withdrawn. Even spot-checks of outbound shipments were seldom made.

The costs of such negligence have now been driven home by the discovery by the Federal Bureau of Investigation of a pervasive pattern of activity by Soviet agents to pry away the secrets of American high technology by means of bribes and other inducements to obtain products on our export control lists. Their targets are lasers, fiber optics, computers, and telecommunications equipment.

In addition, the importance of technological competition in maintaining ascendancy in the world economy has led to cases of industrial espionage, such as the well-publicized Japanese attempt to steal the trade secrets of the International Business Machines Corporation.

In 1980, the president of Spawr Optical was convicted of shipping about 50 high-energy laser mirrors to a laser research laboratory in Moscow. After being denied an export license for shipment of the mirrors, Spawr deliberately understated their value to the Customs Service and made the delivery through Swiss and West German intermediaries.

Two top officials of a California computer firm were convicted in 1980 of shipping more than $1 million worth of computer machinery to the Soviet Union without a license. The machinery was crated with air conditioners and washing machines and sent through Germany and the Netherlands to Moscow.

In January, 1983 a former CIA official and two business associates were indicted on charges of conspiring to sell a $5 million diesel engine assembly line to the Soviet Union in violation of U.S. export laws. The charges were the result of an undercover sting operation run by the Customs Service through a fictitious Paris-based company, as part of Operation Exodus.

Similar charges have also been filed against a Canadian firm and two of its executives alleging they conspired to ship tank engines to Iran. This investigation was also part of Operation Exodus, but originated in documents discovered by an alert Inspector at Dulles Airport.

Operation Exodus was initiated by Customs in late 1981 to step up enforcement of the export control laws, The Export Administration Act of 1979 (50 U.S.C. 2401), and The Arms Export Control Act (22 U.S.C. 2778). The program began as an experiment with 130 Inspectors, Customs Patrol Officers, and Special Agents operating as three-person teams to conduct spot-checks of outbound shipments and follow up investigative leads at ten ports of entry. The program has proven successful thus far, and has been expanded through increased funding provided in both the FY 1983 and 1984 budgets.

Counting the FY 1984 increase, Operation Exodus is now being funded at the $30 million level, whereas just a year ago outbound inspection was virtually non-existent. Clearly, the Reagan Administration has concluded that the cost of providing the necessary resources is far outweighed by the cost to the nation of illegal exports of critical technology.

This conclusion is supported by the findings of the Senate Permanent Investigations Subcommittee after a two-year inquiry. The Subcommittee report found that the Soviets are engaged in a massive effort to acquire Western technology by any means, and the Soviets have been able to use such technology to modernize and speed the development of military weapons systems. Naturally, such advances entail coutervailing responses by our own military establishment, and this increases the size of our defense budget.

A highly classified Defense Department document, which was reported on by columnist Jack Anderson in an article, "High-Tech Pipeline to Moscow" in the December 26, 1982 edition of the Washington Post, listed notable successes by the Soviet intelligence community in 13 key technology areas, including electro-optic sensors, radar, anti-submarine devices, propulsion, material alloys, energy storage, navigation, lasers, aircraft and electronic components, signal processing, micro-electronics, and computers. Given the extensive range of Soviet technological espionage, it seems reasonable that the loss of such strategic information could eventually add billions to the U.S. defense budget.

The Senate Permanent Subcommittee on Investigations has called for a stronger enforcement effort to halt the export of high technology to our nation's enemies. We urge the Trade

Subcommittee to take a close look at this area, and provide the resources for an adequate export control program. Given the huge dimensions of the problem, and the many ways of obtaining U.S. military and industrial secrets, it is quite conceivable that a program on the order of $50 to $100 million would be a bargain when compared to the additional costs to defense of the loss of critical technology.

2. Interdicting the Drug Trade

The retail value of illicit drugs supplied to the U.S. market in 1980 is estimated by the National Narcotics Intelligence Consumers Committee (a task force of the principle Federal agencies concerned with the drug problem) to be $70-$90 billion, more than the combined profits of the Fortune 500 companies and double the volume of drug sales two years earlier. Today in America there are an estimated 492,000 heroin addicts, 25 million people who use marijuana at least monthly, 10 million cocaine abusers, and more users of dangerous pills such as quaaludes than ever before.

Approximately 90 percent of the drugs abused in this country come from abroad, including all of the heroin, cocaine, hashish, and 93 percent of the marijuana. According to the House Select Committee on Narcotics Abuse and Control, no more than 10 percent of this drug traffic is interdicted. In 1980, an estimated 44 metric tons of cocaine entered this country; of this amount, 3.5 metric tons, or 8 percent, was seized by drug enforcement agencies. Only about 6 percent of the 4 metric tons of heroin entering the U.S. in 1980 was interdicted.

The regional impact of the illicit drug traffic is particularly severe in the Southeastern United States. An estimated 70 percent of the cocaine, 80 percent of the marijuana, and 90 percent of the quaaludes smuggled into the U.S. come through Florida, Georgia, and the Carolinas. In Florida alone, the drug traffic is the highest in the nation, estimated at $7-

$10 billion annually. Georgia is the third highest state in drug traffic (ranking just behind Texas). As Federal and State enforcement efforts have been stepped up in Florida, drug runners have shifted their operations to Georgia, the Carolinas, the Gulf Coast, and Virginia.

When one considers events of the past year, it is no exaggeration to say that the entire Southeastern part of the country is now in the throes of crime and corruption fostered by the lucrative profits of the drug trade. Miami's drug wars and epidemic of violent crime is well known. In Georgia, law officers have been offered sums up to $50,000 to look the other way when drug shipments arrive by air or sea. During the past year, undercover operations by State and Federal agents have led to the arrests of a Georgia State Senator who promised drug smugglers carte blanche if they financed his bid for governor, six sheriffs and ex-sheriffs, two police chiefs, two county commissioners, six deputy sheriffs, two state troopers, nine police officers, a police narcotics squad secretary, one agent with the Georgia Bureau of Investigation, one county prison warden, two deputy prison wardens, a state forest ranger, and eight Coast Guard sailors guarding the coast against smugglers (reported by Art Harris in the Washington Post, June 15, 1982).

During last October alone, Georgia authorities recovered $600 million worth of cocaine in duffel bags dropped from planes into cow pastures in the Northern part of the State. The large number of remote landing areas and the dearth of law enforcement officers in rural parts of the state, combined with the escalating drug threat, caused Governor George Busbee to order the Georgia National Guard to use its planes and helicopters as part of the state's anti-drug smuggling force. The Governor's order, which went into effect last November, tripled the state's capability for intercepting illegal drug shipments and made control of drug trafficking the highest priority for all law enforcement agencies in the state.

In North Carolina, the head of the FBI's Charlotte office, Robert L. Spence, has called narcotics traffic there "the number-one growth crime today". Virginia, too, has experienced increased drug traffic by air and sea, prompting Governor Charles Robb to propose to the state legislature last December that the National Guard be used in the fight against drug traffickers. According to the Governor, his proposal was prompted by a state-wide surge in drug-related crimes caused in part by the growing presence of Florida and South American-based smugglers in Virginia's coastal waterways.

The high rate of drug use in the nation is intimately linked with the rate of violent crime that has been plaguing our citizens. According to the Attorney General's Task Force on Violent Crime, one of the recurrent themes of its hearings was the importance of more effectively combatting narcotics traffic. "From Washington to Los Angeles, from Detroit to Miami, we have heard drug officials and scholars stress the connection between drugs and violent crime," the Task Force stated. Law enforcement authorities estimate that between 40 and 60 percent of all serious crimes occurring in the United States during 1981 are drug-related.

The number of reported crimes in the country increased 9 percent between 1979 and 1980, reaching an all-time high in the latter year and maintaining this level in 1981. In 1982, it appears that total reported crime may have receded about 5 percent, but this is no cause for complacency. In an address last fall at the Justice Department, President Reagan stated that "crime today is an American epidemic. It touches nearly a third of the American homes and results in about $8.8 billion a year in financial losses."

In addition to the social costs of violent crime, the burden of drug use has a significant impact on the nation's health care system, the employment market, and social services. All of these impose direct costs upon Federal, State, and local budgets. For example, in 1980 there were 32,000 admissions to Federally-funded drug treatment programs associated with heroin and cocaine use alone. In a study completed for the State of New York, former Health and Human Services Secretary Joseph Califano estimated last year that the cost of drug addiction in terms of health care and lost work days was more than $40 billion a year. Califano also made public the results of a Rand Corporation study that showed that prison inmates addicted to heroin (a $50-a-day habit) had committed six times as many robberies, ten times as many burglaries, and four times as many thefts and assaults as non-addicted inmates.

In the face of this evidence, there is little doubt that a much stronger drug enforcement effort is needed if the nation is to be spared the extraordinary economic and social costs of rampant drug abuse and violent crime. While evidence indicates that marijuana use appears to be leveling off, cocaine and heroin use have risen sharply in the past two years and have reached epidemic proportions in our Eastern Seaboard States.

The Administration's own Task Force on Violent Crime has called for a "clear, coherent, and consistent enforcement policy with regard to narcotics and dangerous drugs," to include "a border policy designed to effectively detect and intercept the illegal importation of narcotics." The Task Force stated:

> "We wish to emphasize that the Federal government's first priority should be to provide adequate resources to its own offices which are involved in fighting violent crime."

Yet the Customs Service, which is on the front line in this struggle as the nation's principle border enforcement agency, is to be reduced by 1,436 staff-years in its Inspection and Tactical Interdiction resources under the Administration's budget proposal. We believe that to propose a reduction in the number of Customs Inspectors and Patrol Officers while the drug threat remains critical is the height of irresponsibility. Considering the huge costs the drug trade is imposing on our society, we believe the most prudent course of action would be for the Congress to completely restore these positions and augment them by a minimum of 250 additional personnel.

3. Enforcing the Trade Laws

It has become increasingly evident in recent years that the ready access of foreign manufacturers to markets in this country is costing American jobs. Imports have added significantly to unemployment, and rising unemployment has strained the ability of Federal, State and local budgets to provide needed welfare, job retraining, and social services.

Enforcement of the nation's trade laws protects the American economy by preventing the entry of merchandise without payment of the appropriate duty, or outside an established import quota. By assessment of countervailing duties, American firms are protected from unfair (subsidized) foreign competition. Entry is also barred for products which violate the patents or copyrights of American firms, or violate laws designed to protect the public health and safety or the environment.

U.S. Customs Service Inspectors and Import Specialists have been a bulwark in protecting our economy against an avalanche of government-subsidized foreign steel, which surged to record levels in 1981. Last year, European Common Market countries were selling carbon steel products in the U.S. at $500 a ton, with a government subsidy of $130 a ton. Our domestic steel industry has been operating at 31 percent of capacity, and 45 percent of the work force -- 200,000 persons -- were thrown out of jobs. The Commerce Department estimates that for every 1 million tons of imported steel, 25 000 to 30,000 jobs are lost.

In January, 1982 U.S. steel companies filed suit for relief through application of countervailing duties. Last summer, the International Trade Commission and Commerce Department agreed, resulting in the imposition of additional duties of up to $250 a ton on steel imported from seven European countries, South

Africa, and Brazil. The Customs Service collected the data on which these findings were based, and later implemented collection of the countervailing duties equal to the estimated subsidy.

This strong enforcement stand strengthened the hand of the Federal government in negotiations with European steel producers, and last October the Commerce Department was successful in concluding a quota agreement that will limit European steel imports on 11 carbon steel products to 5.12 percent of the American market until 1986. This quota agreement will, of course, be implemented and enforced by Customs.

However, it should be noted that Europe accounted for only 6 million of the 20 million tons of steel imported to this country in 1981. If the gap left by the Europeans is not to be filled by other steel exporters -- chiefly, Japan, Korea, and Brazil -- Customs will need to continue to monitor steel imports from these countries. Moreover, the European agreement did not effectively cover imports on steel pipe and tubing which have harmed American producers. It will fall to Customs to monitor these shipments closely until this problem is resolved. Protection of our specialty steel producers will also depend upon Customs' import documenting and fact-finding capability.

If steel shipments are not physically verified, and documents stating country of origin, price, and quantity are not examined for accuracy, our trade law enforcement in this vital area will become a dead letter. Yet this is precisely what the Administration is proposing with its cut of 820 Inspectors and 300 Import Specialists for FY 1984. What would be the cost of the jobs lost, and the attendant unemployment, welfare, and social costs, from law enforcement compared to the $60 million it would cost to restore these positions?

We must not forget that a similar drama is being enacted in the American automobile industry, where 280,000 workers are now unemployed, compared to 213,000 a year ago. Despite a voluntary quota agreement limiting Japanese imports to 1.68 million passenger cars, the Japanese share of the U.S. market rose to 22.6 percent last year -- the highest in history. News accounts indicate that in all probability the present agreement, which expires on March 31, will be extended for a third year.

It is still unclear whether additional relief will be required to save American jobs and rejuvenate the automobile industry. At the present time, the Customs Service is responsible for monitoring the volume of automobile imports, classifying shipments in accordance with U.S. tariff schedules, and collecting appropriate duties. Should a quota be adopted, it is clear that the burden of implementing such a policy will fall squarely upon the Customs Service. Considering the real possibility of such action, the shortsightedness of a cutback in the Inspectional and Classification and Valuation resources of the Service at this juncture becomes readily apparent.

When important national interests are at stake, protecting American industries through import restrictions is one of the many policies that need to be considered. We submit that this country should not unilaterally disarm itself by cutting 20 percent of its Inspectors and 28 percent of its Import Specialists, as the Administration proposes.

4. Serving a Growing Domestic Tourism Industry

One of the major factors affecting Customs resource needs is our national policy of encouraging foreign visitors to this country. This has led in recent years to the rapid growth of passenger arrivals at our land, sea, and air ports of entry, visibly taxing Customs' processing capabilities. Moreover, as many of our cities and regions seek to participate in the growing tourist trade by becoming international gateways, the inability to provide adequate Customs personnel to staff these new facilities is becoming painfully apparent.

This country has too much to lose by allowing Customs to become a hindrance to the expansion of our tourism industry. Foreign visitors are now coming to the U.S. at the rate of 20 million a year, about 8 million from overseas (Canada and Mexico have consistently accounted for the largest number of foreign visitors). In 1980, foreign visitors spent an estimated $12 billion in the United States, producing approximately $1.4 billion in Federal, State and local tax revenues. Moreover, between 1970 and 1979 these expenditures grew by more than 250 percent, well ahead of other measures of economic activity.

The travel and tourism industry is now the third largest industry in the United States, employing more than 6 million Americans and producing more than $118 billion in annual sales. Commerce Department statistics show that more than a million establishments benefit directly from foreign tourists' spending in this country. More than 95,000 jobs were directly supported by foreign visitors food purchases alone in 1978.

Nevertheless, 1982 was a lackluster year for international travel to this country. The overall number of foreign visitors declined 9 percent. While most of the loss was accounted for by a drop in visitors from Great Britain, West Germany, France and Canada declined as well. Since 1982 was a year of deep recession for the world economy, it can be safely assumed that international travel growth will resume with economic recovery.

Even more serious, however, is the fact that the U.S. market share of international tourism has been falling in recent years. According to the Travel and Tourism Government Affairs Policy Council, the United States now gets only 8 percent of foreign tourists, and this figure is still trending down. The reason for this, according to the Secretary-Treasurer of the Congressional Tourism Caucus, Representative William H. Boner, is the long

Customs lines that greet foreign visitors, and inadequate travel promotion.

Both of these causes may be traced to the Reagan Administration's shortsighted budgetary policy. The proposal to cut 820 Customs Inspectors at a time when the Air Transport Association, after a thorough survey, found that a minimum of 230 additional Inspectors was needed at airports alone, can only serve as a deterrent to foreign travel and cost this country millions of dollars in lost business.

In a demonstration of massive unwisdom, the Administration has also proposed to zero out in FY 1984 all funding for the U.S. Travel and Tourism Administration. It is proposing this action despite the fact that the U.S. gets $18 back for every dollar spent on overseas travel promotion. We can think of no more retrograde action, at a time when jobs and income are so important to our economy, than to turn our back on the sound program of the National Tourism Policy Act which President Reagan signed into law in October, 1981. The U.S. Travel and Tourism Administration should be fully funded at the minimum level of $14 million which it requires to do an adequate job of promoting travel to this country.

While travel promotion is the purview of other committees of the Congress, the Treasury Subcommittee has the ability to do something about the frequent congestion and overtaxing of facilities occurring at our air, land and sea ports. This problem is caused mainly by the low number of Inspectors attempting to keep pace with the growing number of visitors over the past decade.

If the U.S. is to exploit its natural advantages as a Mecca for foreign visitors, the Customs Service must be provided with an adequate number of Inspectors to reduce present congestion and accommodate the expected growth in future traffic. Besides the 230 additional Inspectors specified by the Air Transport

Association for our airports, many of our land border ports such as San Ysidro, Laredo, and Niagara Falls are experiencing lines two to three hours long. Taking matters into its own hands because of the intolerable situation that exists at some locations, the House last year voted an additional $5 million for more Inspectors at our land ports in the Southwest.

This Subcommittee has taken the lead in requiring Customs to develop new inspectional techniques to facilitate the processing of travelers while not reducing enforcement. As you are aware, last year the Federal Inspectional Services (FIS), composed of Customs, Immigration and Naturalization Service, and the Animal and Plant Health Inspection Service of the Department of Agriculture, tested at Miami and Los Angeles International Airports a new inspection procedure known as ASIST, the Accelerated Special Inspection System Test. We will discuss the FIS report of this test in detail in our testimony, but here we wish to make one point, which is that staff savings failed to materialize as a result of the new inspection procedure. In fact, the GAO report on the test found Customs staffing in Miami to be inadequate. In our experience, there is simply no way to get around the problem of adequate staffing if large numbers of passengers are to be processed while maintaining enforcement.

We strongly urge the Subcommittee to consider the need for additional Customs Inspectors in light of the contribution of the travel and tourism industry to the U.S. economy. Certainly, the advantages to the nation's balance of payments, plus the additional jobs and tax receipts accruing from tourist expenditures, would far outweigh the cost of several hundred additional Inspectors.

5. Safeguarding American Agriculture

One of the principle missions of the U.S. Customs Service is to prevent the introduction into this country of foreign plant or animal pests that would endanger American agriculture. Considering the paramount role of the nation's $500 billion agriculture industry, and the enormous costs of eradication should an outbreak of disease occur, an adequate level of baggage inspection at our ports of entry is an absolute necessity. The possible introduction by an unwary traveler of pests that could seriously damage our ecology is an ever-present danger that our country has been able to forestall by the sound policy of passenger baggage inspection at our borders.

For this task, the Department of Agriculture has in the past reimbursed Customs for the cost of 221 Inspector positions. Customs Inspectors perform primary inspection of travelers arriving by air and sea. Based on the declaration form, the finding of agricultural items, and in some cases, a passenger profile provided by the Animal and Plant Health Inspection Service (APHIS), the Customs Inspector may refer the passenger to a Plant Protection and Quarantine Officer for secondary agricultural inspection.

The importance of this task was driven home in 1981 by the Mediterranean Fruit Fly infestations in California and Florida. Those infestations cost more than $50 million to eradicate. It has been estimated that a general infestation by this pest, which feeds on over 800 different fruits, would cost $200 to $250 million annually in agricultural losses.

The U.S. has not experienced an outbreak of Foot and Mouth Disease since 1929, though countries as close as Great Britain and Brazil have not been so fortunate. The Agriculture Department estimates that it would have a $10 billion impact on the livestock industry if introduced in this country today. Our system of agricultural protection must be working if we have thus far kept out this disease, but we cannot afford to let down our guard.

African Swine Fever, which has recently made an appearance in Cuba and the Dominican Republic, is another animal disease which may enter through pork products contained in passenger baggage or airplane waste. There is no known treatment for the disease, which would cause $2 billion in losses the first year.

The soil from plants carried by unwary travelers serves as a means of transport for many pests, which could increase crop losses from 5-10 percent if introduced into this country.

Passenger-carried meat and meat products also pose a serious threat. In FY 1980, 123,128 individual lots of meat and meat products totaling 305,635 pounds were confiscated from arriving air travelers. These products represented a potential source of animal disease that could severely damage our livestock industry.

In light of these facts, one can imagine our dismay when NTEU was informed by Customs only three months ago that, as a result of a reduction of $1.8 million in reimbursable funding from the Department of Agriculture, the Service was immediately eliminating 95 of the 228 positions devoted to hand baggage inspection at air and sea ports. As a result, baggage inspection was to be immediately reduced to the indicated levels at the following airports:

Anchorage, AK	50%
Atlanta, GA	36%
Boston, MA	27%
Chicago, IL	50%
Dallas, TX	67%
Dulles	45%
Honolulu, HI	47%
Houston, TX	56%
John F. Kennedy	45%
Los Angeles, CA	33%
Miami, FL	25%
New Orleans, LA	33%
San Francisco, CA	34%
Seattle, WA	29%

In addition, all sea passenger hand baggage inspection for agricultural purposes was being terminated, and seed sampling on our Southern border would no longer be performed.

We cannot think of a more shortsighted policy. In the past, this Subcommittee has taken a firm stand on the importance of adequate agricultural inspection as a safeguard that must not be relaxed. We urge the Subcommittee to persevere in this course, and to restore Customs funding for these positions in light of Agriculture's apparent inability to do so.

6. Halting Illegal Immigration

Customs has been playing an increasingly important role in the control of illegal immigration at land border ports and outports where no Immigration and Naturalization Service (INS) Inspector is available, and at airports where Customs and INS Inspectors are cross-trained to perform each other's missions. The magnitude of illegal immigration into the country, and the attendant social costs (lost jobs, lower wages, sweatshop working conditions, and strained community services) are fueling the call for stronger enforcement at our nation's frontiers. The problem is not limited to our land borders, but includes the nation's air and sea ports, where a growing number of aliens are attempting to gain entry through use of forged passports.

The Census Bureau estimates that there are currently 5 to 10 million illegal aliens in the U.S., and that 500,000 to 1 million more enter illegally each year. These illegal immigrants take American jobs and contribute significantly to the high rate of unemployment. The total number of unemployed, which now stands at 12 million, would be cut in half if the jobs held by undocumented workers were available to our citizens. This would relieve the U.S. budget of some $34 million in unemployment and welfare compensation.

As things now stand, the nation remains wide open to illegal immigration, and the pressure on our borders is growing every day. Last year over 800,000 aliens were apprehended attempting to cross our Southwestern frontier, and arrests were up 20 percent over 1981. In some locations, such as the Chula Vista, California border section between San Diego and Tijuana, Mexico, the number of arrests last month jumped 74 percent over the number in the first half of January, 1982. According to INS Commissioner Alan C. Nelson, Mexico's peso devaluation and economic difficulties probably account for much of this movement. But aliens other than Mexicans, including a significant number from El Salvador, are also streaming across the Southern border.

According to one estimate, if illegal immigration continues at current levels it will add 37 to 70 million people to the U.S. population in the next half-century. This will place an extraordinary burden on the nation's ability to provide jobs and an adequate standard of living for our people.

Recent studies by State and Federal authorities have found that the budgetary costs of illegal aliens are huge. Illinois' Attorney General estimates that his state loses $66 million a year in unemployment benefits paid to illegal aliens who use phony immigration documents when they apply for aid. Similar cases involving welfare and food stamps have been uncovered in California. That state's Department of Social Services discovered that hundreds of aliens in San Diego, Los Angeles, and San Francisco had submitted fraudulent forms to qualify for benefits.

The Reagan Administration is seemingly concerned about the immigration problem, but this has not stopped it from submitting totally inadequate budgets for Customs, which is on the front line in this struggle. We urge the Subcommittee to recognize the joint role of Customs and INS in carrying out this important mission, and to allocate the resources necessary to secure our society and economy from this growing burden.

PROGRAM, BUDGET AND POLICY ISSUES

We turn now to a discussion of the workload and adequacy of resources in each of Customs' principle functions: Inspection and Control, Tariff and Trade, and Tactical Interdiction. We will also focus on the major issues that deserve consideration by the Subcommittee.

Inspection and Control

There is a large and growing workload/resource imbalance in the Inspection and Control function of Customs due to the number of Inspectors failing to keep pace with the growth of international trade and tourism.

Significant indications of workload growth are that:

-- the volume of U.S. merchandise imports has been growing at an 8 percent annual rate for the past decade, and is projected by Customs to continue growing at this rate through 1985;

-- Airline passenger arrivals from abroad increased 70 percent between 1973 and 1981, a 9 percent annual rate;

-- Total persons arriving from abroad will total 340 million in FY 1984, an increase of 13 million over 1983 and 39 million over the past two years;

-- Air cargo imports have been growing at a 14 percent rate in recent years, and are projected to increase to 1.5 million tons in 1983, double the level of 1978.

In order to place these statistics in perspective, we would like to note the following points.

Some of our airports, such as Miami and Atlanta have experienced a rate of growth far above the national average, and have had a totally inadequate number of Inspectors assigned for the past three years. Atlanta alone experienced a 523 percent growth in international passenger traffic in the three-year period, 1977 to 1980. The advent of wide-body aircraft arriving at closely spaced intervals has led to peaking and congestion at all major airports, especially during the tourist season. The need to handle this traffic has placed a premium on passenger processing to the detriment of cargo inspection, with increased opportunities for smuggling.

In fact, the largest cocaine seizure in history, 3,748 pounds valued at $175 million, was made by an Inspector last year in Miami aboard an air cargo plane, concealed in a shipment of suits and dresses. Passenger couriers, however, are an equally significant drug threat. According to the National Narcotics Intelligence Consumers Committee, passenger couriers transport virtually all the heroin entering this country, and a large percentage of the cocaine continues to arrive through "body-packing" or ingestion by couriers on air passenger flights.

Last year, the number of travelers arriving from abroad, most of whom entered at our land border ports, increased by 26 million compared to a Customs estimate (in last year's budget request) of 13 million. This erroneous estimate contributed to understaffing and huge congestion at land ports of entry, and shows the pitfalls of submitting an unrealistic budget. If Customs had been permitted to plan rationally for anticipated workload growth, many of the problems that have been occuring on our Southwestern border could have been avoided, and border enforcement would not be in a state of near collapse from the weight of the traffic our thin line of Customs Inspectors have had to contend with.

Customs resources in the Inspection and Control area have remained static between 1978 and 1983. Now the Administration is proposing to reduce the number of Inspectors to below the level of 1972, despite a 100 percent growth in the number of merchandise imports and air passenger arrivals since that year. This is indicated in Table 1, which shows the trend in the number of Inspectors since 1972, and the Administration's proposal for FY 1984.

The Customs workload/resource imbalance is further illustrated by Exhibit I, appended to our testimony. This chart, taken from the Long-Range Strategic Plan prepared for Customs by the firm of Peat, Marwick, Mitchell & Company, shows actual and projected workload to 1985, and compares this workload to Customs outlays in constant dollars. The results are striking. All the workload trends are rising, but the real level of Customs outlays stays at about the 1975 level.

These facts clearly demonstrate the crux of the problem confronting the Customs Inspectional force today. Customs has essentially an uncontrollable workload, which continues to rise while the number of Inspectors has remained stable. As a result of increased demands from importers and carriers, the static work force is required to put in longer hours on the job. Overtime mounts and becomes the principle resource utilized to accommodate the growing demand for service.

As workload continues to outstrip the capacity of the Inspectional force, the point is ultimately reached where concessions are made in the form of reduced enforcement. Countless signs of this erosion exist today, providing graphic evidence of conditions that require immediate correction. Some prominent examples are:

-- Customs has been inspecting less than 1 percent of all containerized shipments, which account for over 70 percent of seaborne cargo, despite clear evidence of increased drug seizures and revenue collection when the inspection rate is increased. Last year, the number of containers inspected fell to 0.3 percent of the total number imported.

-- At many coastal ports, private vessels such as boats and yachts arriving from foreign destinations have been placed on a virtual honor system with regard to Customs inspection. Owners are permitted to notify Customs telephonically within 24 hours of arrival, and the formalities usually consist of negative replies to a few questions. Customs attempts to keep this system functioning through spot-checks, but only a tiny fraction of arrivals is ever inspected.

-- Customs has gone to a system of general supervision of vessel unloading. Instead of one Inspector assigned to a ship, the Inspector may now be required to perform inspections at docks miles apart. He must frequently leave one site for another, even though his presence would be a deterrent to smuggling at the initial location.

-- At many ports, Customs lacks the resources to exercise proper supervision over the gauging of tankers by representatives of the oil companies. As a result, Customs' role as the only independent source of data on crude oil and petroleum product imports is abnegated, revenue collections (when import fees are imposed) are jeopardized, and energy policymaking in times of emergency is undermined by the lack of reliable data.

-- In many ports and outlying areas, Customs lacks the resources to ensure the physical security of the Inspectors themselves. It is not unusual for Inspectors at many land border ports, or on the "graveyard shift" to work alone. Lone Inspectors are exposed to encounters with narcotics traffickers, fugitives, terrorists, and other criminals. Help in many instances is two or more hours away. For these reasons, NTEU has long held that sufficient numbers of Inspectors should be assigned to each port so that, for their own security, Inspectors may be teamed on isolated assignments.

On May 25, 1979 a lone Inspector on duty at the Customs station in Lynden, Washington was shot and killed while questioning an escaped felon who was entering the U.S. from Canada. Despite repeated requests from this union and members of Congress, Customs to this day has not assigned sufficient Inspectors to permit greater security at this port of entry. We strongly urge the Subcommittee to consider these facts in its deliberations on the number of Inspectors to be funded for FY 1984.

Mr. Chairman, these conditions are symptomatic of a general breakdown in enforcement which our union, as a representative of U.S. Customs Inspectors, has been emphasizing since 1978. The unvarnished truth is that there are wide areas of minimal enforcement or non-enforcement of the Customs laws today, and more are emerging. Surely it is a congressional responsibility to provide the dedicated men and women of the Customs Service with the resources they need to do the job.

Two years ago the Congress directed Customs, in conjunction with INS and the Department of Agriculture, to test new methods of passenger processing at our airports, with the object of minimizing delays to travelers while maintaining enforcement. In compliance with this directive Customs initiated ASIST, the Accelerated Specialized Inspection System Test, at the Miami and Los Angeles International Airports. The principle characteristic of ASIST, in line with recommendations of both the General Accounting Office and the Air Transport Association, was to process passengers through a "one-stop" station where both Customs and INS primary inspections are performed prior to the passenger's claiming his checked baggage. It was reasoned that overall waiting time at the airport could be reduced if Federal Inspection Services (FIS) processing could begin while passengers were waiting for their checked baggage, which surveys have shown takes an average of 24 minutes to arrive.

Under the inspection procedure, primary screening was performed by either a Customs or INS Inspector, each of whom was to be cross-trained in the other's job. The primary Inspector had the option of referring the traveler to either a Customs, INS, or Agriculture secondary inspection station if a problem was encountered in the initial screening. Otherwise, the passenger was free to claim his checked baggage and depart. Roving Inspectors were posted in the baggage claim area and at exit control points. These Inspectors could stop passengers and refer them for baggage inspection if this was deemed warranted.

This system differed materially from current inspection procedures, which require travelers to claim their checked baggage before reporting for Customs inspection. Since all passengers are subject to baggage inspection under the current system, it could be expected that enforcement under ASIST would depend significantly on the percentage of checked baggage that was inspected. This could be measured by the number of referrals to secondary, since all passengers referred to secondary had to first claim their checked baggage.

The final report of the Federal Inspection Services on ASIST was submitted last summer. What were the results?

In Miami, 50 percent of the passengers exited the inspection facility in 33 minutes under ASIST, compared to 44 minutes pre-ASIST, for a 25 percent gain in speed of processing. Ninety percent were out the door in 66.5 minutes, compared to 74 minutes pre-ASIST, or 10 percent faster. To put these times in perspective, it should be noted that the average time for a passenger on a domestic flight to exit the terminal at Miami, from the block time of the aircraft, was 30.5 minutes.

In Los Angeles, 50 percent of the passengers exited the inspection facility in 43 minutes under ASIST, compared to 40 minutes pre-ASIST, for a 6 percent longer processing time. Ninety percent of the passengers cleared in 75 minutes, compared to 66 minutes before ASIST, or 15 percent longer. The average time for a passenger on a domestic flight to exit the terminal from the block time of the aircraft was 26.7 minutes at Los Angeles.

In Miami, all enforcement indicators were down under ASIST for both Customs and INS. Interceptions of agricultural products increased, due mainly to assignment of additional APHIS staff for the test. The drop in Customs enforcement included 32 percent fewer arrests, 40 percent fewer drug seizures, 18 percent fewer merchandise seizures, and 10 percent fewer currency seizures. For INS enforcement, one alien out of every 2,000 applicants was denied admission under ASIST, compared to 1 out of 1,700 for the same period the year before. This represents a 15 percent drop in INS enforcement.

In Los Angeles, Customs enforcement measures were mixed, with some rising and others falling. INS enforcement was down sharply. As at Miami, APHIS enforcement rose significantly as additional staff were assigned to the test. Customs enforcement showed a 45 percent increase in arrests, 44 percent increase in merchandise seizures, and 85 percent increase in currency seizures. However, cocaine seizures were down 17 percent, marijuana seizures dropped 14 percent, and overall drug seizures fell 6.5 percent. For INS, one alien out of 3,695 was denied entry under ASIST compared to one out of 2,396 a year earlier. This represents a 35 percent drop in INS enforcement.

In Miami, the number of passengers referred for secondary inspection was 22.1 percent under ASIST compared to 16.4 percent pre-ASIST.

Both Customs and INS conducted the test with no increase in staff, though their resources were merged in accordance with the test concept. While Customs concludes that ASIST has the potential for staff savings, this finding is wholly unsubstantiated by the report. In fact, what little data appears in the report, such as a significant increase in Inspector overtime, and an increase in the number of supervisors required, tends to support the opposite conclusion.

The report also shows that, based on staffing requirements, ASIST requires 7.7 percent more personnel than one-stop (Chart D.28, p. 78 of the Report). Finally, GAO's evaluation of the test found that the staff in Miami was inadequate for the inspection system being implemented, particularly due to a shortage of Inspectors at exit control points.

There is, therefore, no reason whatsoever for placing any confidence in the conclusion that implementation of ASIST will lead to staff savings. The most that can be said is that ASIST _can_ be implemented with existing staff at _some_ airports.

In its summary evaluation of the test, Customs compares the results of ASIST with specific criteria of success, such as passenger processing time, drug and merchandise seizures, revenue collection, staffing and overtime costs -- 14 criteria in all. It then renders this judgment: "Had the results of the key indicators been accepted at face value ASIST would be marginal at best."

However, its final conclusion is that ASIST can provide meaningful facilitative gains provided a string of conditions are met with regard to staffing, baggage delivery, and airport facilities and support services. INS gives unqualified support to ASIST, and recommends its adoption at other airports. In its report, INS dwells on the impact of recent staff reductions and finds merit in cross-training Customs personnel to perform INS functions. APHIS also supports ASIST provided additional staff are assigned to permit a separate Agriculture secondary, as was done in the test.

We believe that the wisest statement in the report is that ASIST is no panacea. Customs should resist pressure for its adoption at airports to which it is unsuited, and where its implementation would aim at the single goal of passenger facilitation to the detriment of enforcement.

Moreover, ASIST was implemented in such a short time frame that it is safe to say that it has not yet been adequately evaluated. Since it has continued in effect at Miami and Los Angeles, this Subcommittee should request a further evaluation covering a longer period than the initial test. In light of the adverse impact on enforcement demonstrated in both Miami and Los Angeles, ASIST should not be further expanded until evaluation indicates that Customs compliance levels can be maintained.

Let us turn now to the subject of cargo processing, which is an area where Customs is moving headlong toward adoption of a new inspection system without a proper evaluation of costs and benefits, including the impact on enforcement. The idea behind the new system, known as ACCEPT, or Automated Cargo Clearance and Enforcement Processing Test, is simple. Since Customs can make only a limited number of inspections, these should be concentrated on "high risk" shipments where the payoff is potentially greater for the inspectional resources expended. The problem is how to determine which are the "high risk" shipments. It is not possible to set up a computerized system for fingering the shipments to be checked, as ACCEPT attempts to do, without a great deal of data collection and construction of profiles of the characteristics of "high risk" shipments and "high risk" importers. There is no evidence that Customs has collected this data and constructed the profiles, let alone tested them. What we can expect from this system, until Customs demonstrates otherwise, is "garbage in, garbage out". The system will do a less than adequate job in guiding Inspectors to the shipments that need checking.

Enforcement is bound to suffer while a system that has been inadequately prepared and tested is implemented. Enforcement under ACCEPT depends on the formula, "fewer inspections, but higher quality inspections". What we believe we will see is the former, but not the latter.

Moreover, Customs has not come up with an answer to the question of how to deal with the infinite ingenuity of the smuggler determined to beat the system. Once it becomes known that certain importers and shipments are receiving minimal inspection, how can smugglers be deterred from taking advantage of this situation?

How can potentially harmful shipments, such as adulterated foodstuffs and improperly labeled medicines, be prevented from entering the stream of commerce? With Inspectors taking samples, such shipments can be stopped at the port. Under ACCEPT, the burden will increasingly fall on the Import Specialist to make a determination, based on review of entry documents, that a shipment is potentially hazardous. But Customs has been reducing the number of Import Specialists, and those remaining are severely overworked. Besides, once the Import Specialist gets the entry documents, the shipment may already be in the stream of commerce. So how will ACCEPT protect the public health and safety?

Section 499 of the Tariff Act of 1930 requires the inspection of not less than one package of every invoice and not less than one of every ten packages of imported merchandise. The law authorizes the Secretary of the Treasury to provide, by regulation, that a lesser number of packages may be examined when, in his opinion, the examination of a lesser proportion will amply protect the revenue. We believe this provision allows the Treasury Secretary to reduce the number of inspections required, but not to totally abrogate the requirement for inspection contained in the law. However, on September 10, 1981 Customs issued a regulation which allows the release of merchandise with no inspection at all.

Last year, we called for public hearings on ACCEPT and the related Customs regulation of September 10, 1981. We also urged this Subcommittee to bar any funds for implementation of ACCEPT until this panel is satisfied that the public interest is protected. We simply do not believe that the Subcommittee should accept unsubstantiated assertions that, because this system is "automated" or "computerized," it is a truly effective enforcement tool, and not a scheme for minimal enforcement or non-enforcement through exclusion from inspection of many goods imported into this country. We again strongly urge the Subcommittee to act on this important matter. We will be pleased to assist in any way possible with your review of the ACCEPT program.

Another area fraught with danger to the public is the Customs program to remove its employees from bonded warehouses and turn the accounting and release of merchandise over to the warehouse management. In its report on the Customs authorization for FY 1981, the Trade Subcommittee of the House Committee on Ways and Means called upon Customs to conduct an in-depth national audit of bonded warehouses. The Subcommittee report noted "incredible" abuses in the program. The results of several audits that came to the Subcommittee's attention amply supported this assertion. Now Customs is trying to wash its hands of the bonded warehouses. Its new report will enable Customs to audit the future condition of the warehouses, but what about the present condition? Without the national audit called for by this Subcommittee, the potential for fraud, abuse, and scandal is huge. We urge the Subcommittee to call an immediate halt to further execution of this program until you have had an opportunity to thoroughly review Customs' plans and actions to date.

Overtime

Last year, the Ways and Means Committee voted to remove the $20,000 cap on inspectional overtime earnings and the House of Representatives adopted this committee amendment by a vote of 220 to 178. Similarly, the Senate deleted the overtime limitation from its version of the FY 1983 Customs authorization bill and, as a result, the statutory overtime cap was eliminated in the final version of H.R. 6094, which was signed by the President on January 12, 1983.

In a letter to Representative Edward R. Roybal, Chairman of the House Subcommittee on Treasury, Postal Service and General Government of the Committee on Appropriations, Chairman Gibbons of the Trade Subcommittee and 15 Members of the Ways and Means Committee urged the Treasury Subcommittee to remove the overtime cap in the FY 1983 Customs appropriations bill. Despite the Trade Subcommittee's argument that the cap had become unduly restrictive and expensive to enforce, the House and Senate Committees on Appropriations included an overtime cap of $25,000 in the FY 1983 Continuing Appropriations Resolution and granted the Commissioner of Customs, or his delegate, authority to waive the cap in individual cases. Because the overtime cap continues to be a burden to both the taxpayer and the individual Customs Inspector, we call upon this Subcommittee to take whatever steps are necessary to ensure that Customs' activities during FY 1984 are not hampered by the existence of a statutory limitation on overtime earnings.

Though only two Customs Inspectors had exceeded $20,000 in overtime earnings during FY 1979, the year before Congress first imposed the $20,000 cap, almost one-third of all Customs Inspectors neared the statutory limit by the end of FY 1982. This confirmed for us the fact that overtime had become a critical resource for meeting the growing demand for clearance of passengers and cargo. For nearly a decade, a virtually static number of Inspectors has been available at our nation's ports of entry to meet a steadily growing number of air travelers and formal entries of goods. On balance, overtime has become a necessary and cost-effective tool in Customs' strategy for meeting its enforcement and revenue collection responsibilities with a work force limited by Office of Management and Budget (OMB) personnel ceilings.

An Inspector with overtime earnings of $15,000 to $20,000 a year works an average of 62 hours a week, 52 weeks a year. In fact, a 1981 Customs' study of overtime showed that, in addition to a normal 40-hour week, the average Inspector is required to work three of every four Sundays, one Saturday per month, and seven weekday overtime assignments per month. Clearly, the cap has not reduced the overall amount of overtime necessary to meet the demand for service. It has merely spread overtime out among the staff to such an extent that employees who do not want to work overtime are forced to, while those Inspectors who are willing to work longer hours are prohibited from doing so.

Forcing Inspectors to work long hours on overtime has driven many dedicated employees out of the Service. In some cases this has led to even more tragic consequences. An Inspector in Detroit died of a heart attack last year after working an overtime shift from which she had asked to be excused. The Inspector had been assigned to work 4-12 p.m. on Sunday and then required to return to work at 7:00 a.m. Monday. She asked to be excused from overtime Monday night but was ordered to work. There were other Inspectors who were present and willing to work but were not allowed to because they had reached the overtime cap. She died of a heart attack later that evening.

In Houston, where the seaport stretches for 60 miles, Customs has seen several women Inspectors resign over the past year after being forced to work late at night on overtime. Incidents in which female Inspectors were accosted while working late in unsafe areas were also reported.

While proponents of the overtime cap claim to be acting in the employee's interest by limiting the amount of overtime Inspectors can be compelled to work, the overtime cap has had the exact opposite effect by completely eliminating the voluntary aspect of overtime. Prior to the imposition of the cap, Inspectors were able to work out an allocation of overtime duty which took into account their personal needs. Inspectors who wanted to earn more money and were willing to sacrifice their free time or work late at night volunteered for overtime, while Inspectors who had family obligations or other non-work commitments did not. And although this system led to an imbalance in earnings, because the Inspectors were able to choose which assignments they wanted, efficiency and productivity were greatly enhanced.

We strongly believe that employees willing and able to work overtime without foregoing family obligations should be permitted to do so, and that the burden of forced overtime should be minimized. Morale at the workplace is fostered by allowing individual preferences to play a greater role in the assignment of overtime, not by a rigid policy of equalization of earnings.

Before we leave the subject of overtime, we would like to briefly address the rate of overtime pay provided under the Act of 1911. The most recent data collected by Customs shows that

Inspectors are earning, on the average, 2.1 times the regular rate of pay on Sundays, and 2.4 times the regular rate on the other days of the week. The Customs study attributes the 2.4 rate of pay to the call-back of Inspectors who have left the work site. Such call-backs frequently occur at night and at irregular hours, taking a physical toll on the Inspector. In addition, there is often a good deal of uncompensated travel time to and from the port, and waiting time when aircraft or ships are delayed in arriving. The study also confirms that the average Inspector works 7 hours on each Sunday assignment, and an average of 8 hours if holidays are included in this figure.

We remain convinced that the frequent call-backs, the late-night hours spent away from home, and the physically demanding nature of inspectional duties justify the present rate of overtime pay. Moreover, these rates of pay conform with the prevailing overtime rates in the private sector, which normally establishes double-time premiums for call-back and night work, and where the typical practice is triple-time for Sunday overtime and double-time-and-one-half for holiday work.

We urge the Subcommittee to reject any Administration attempts to change the basic overtime rate of pay for Customs Inspectors. It would not only be grossly unfair to the Inspectors, who have a unique role in Federal law enforcement, but it would seriously reduce the incentive to continue to work long hours at a time when the service is stretched thin and already lacks adequate staff.

Tariff and Trade

The Tariff and Trade activities of Customs are responsible for the collection of over $11 billion a year in revenue to the U.S. government and for the smooth operation of our nation's trade programs. Import Specialists are now located in approximately 65 Customs offices across the country, where they are in daily contact with representatives of the importing community, sharing with them their intimate knowledge of product lines, Customs court rulings, and the technical aspects of their own commodity specialties. When one considers that there are over 10,000 categories in the Tariff Schedules, that products frequently fit more than one classification, and that proper classifications can make the difference between a duty-free entry or a 70-percent tariff, the value of this service to both the import community and the American taxpayer can be understood.

This is confirmed in a Customs survey of rejected entries conducted in May 1980. The survey found that 16 percent of all entries reviewed by Import Specialists were rejected due to errors. Classification errors were the most numerous, amounting to 32 percent, while valuation errors made up another 15 percent. In addition, 549 entries covering quota merchandise were erroneously presented as not subject to quota. In commenting on this finding, the Director of Customs' Office of Trade Operations stated:

> "While this number does not appear to be statistically significant, the unlawful entry of 549 shipments of quota merchandise would have had catastrophic repercussions."

It also noted that the correction of these errors by the Import Specialists resulted in the collection of an additional $53 million in import duties. The significance of this figure is apparent when one considers that the annual salary cost for the entire Import Specialist work force at that time was $34 million.

The Administration has proposed reducing the number of entry processing locations by half and, in addition, cutting the total number of Trade and Tariff personnel by 698 employees as part of its FY 1984 budget. These cuts will save Customs $26 million in personnel costs, and if we once again compare this to the $53 million in entry errors found during Customs' 1980 study, the reasoning behind the proposed budget cuts appears even more shortsighted.

Even before this year's cuts were proposed, Customs Tariff and Trade activities were suffering from a growing imbalance between workload and personnel resources. As shown in Table 2 , the 1,150 Import Specialists on board today are fewer than the number available during 1974. Yet in 1984, the Administration projects that the number of entries will continue to climb and will represent more than a 60% increase over the volume of imports in 1974. Even allowing for a significant improvement in productivity, which has increased historically at a 4.3 percent annual rate, it is evident that Customs has been, and will continue to be, unable to keep pace with the growth in workload.

A 1981 GAO report entitled, "Assurance Needed That Import Classifications are Accurate," belies Customs' claim that increased computerization and greater reliance on brokers will make up for this shortfall in personnel. In fact, the GAO study indicates that it is the very absence of an Import Specialist's personal involvement in the classification and valuation process that is resulting in very costly errors to both taxpayers and the U.S. government.

The report states that:

> "Customs Service import specialists have insufficient time and means to adequately verify Tariff Schedule classifications assigned by importers or their brokers to billions of dollars worth of foreign products entering the United States annually. Proper classification is essential for determining the appropriate import duty, treating importers consistently, and compiling import data for formulating trade policies.
>
> "Verification is hindered, in part, by a cursory entry-by-entry review of entries, a relatively large number of incorrect entry documents which are rejected and must be resubmitted, and the lack of a quality assurance program.
>
> "The Service's problems are intensified by a relatively unchanging work force and a sharply increased workload."

The report also notes that steps essential to confirming import classifications -- physical examination of the articles and, where appropriate, laboratory analysis coupled with application of legal principles and prior rulings -- are often not performed. GAO found that, in a random sample of entries in three Customs field offices, up to 74 percent of product classifications were accepted solely on the basis of reviews of entry documents. Of products susceptible to laboratory analysis, only 13 of 242, or 5 percent, were analyzed. From 75 to 85 percent of the products were probably never physically examined, according to the report.

As the report points out, a few hours on the importer's premises, viewing samples and establishing classifications, can save untold staff hours by permitting Customs to liquidate most entries upon receipt. In fact, during FY 1981, Import Specialists made over 8,000 visits to importers' premises. While importers consider this to be a very valuable service to their business, it also allows Customs to save the government money by eliminating the potential for rejected entries, time-consuming post-entry work, and entry backlogs resulting from errors.

The value of the service provided by Import Specialists to the trading community is best illustrated by the overwhelmingly negative response of importing agents and brokers to Customs' plan to centralize the appraisement function in 35 locations, down from the present 65. A letter from one North Carolina agent written in response to Customs' proposal to transfer the Import Specialists stationed in Wilmington, North Carolina to Norfolk, Virginia, best sums up the problem:

> "U.S. Customs personnel in North Carolina have played a major role in our opinion, in the growth of the North Carolina ports. U.S. Customs personnel have played a very major role in the expeditious clearance of imported cargo through the ports of North Carolina...
>
> "By placing our port under the district in Norfolk, we, of course, feel left out in the cold. The closest Import Specialist which we would have contact with would be Norfolk, Virginia. Therefore, each time we had a question it would be necessary to place a long-distance call to Norfolk and discuss the problem, whereas now, within five minutes we can be in the Customs office discussing our problem face-to-face with an Import Specialist or with other Customs officials as necessary...
>
> "A few years back, Customs experimented with what was called centralized appraisement within each region of

> the Customs Service. Import Specialists at different ports were assigned different commodities for which they would have responsibility for final appraisement and classifications. Therefore, an importer could have his merchandise imported at the port in Wilmington but have his entry appraised in Miami. Not only did it take longer to have merchandise appraised, but it became virtually impossible to have contact with the Import Specialist who was actually appraising a particular type of merchandise. We think that this method proved to be very costly and cumbersome to the U.S. Customs Service; therefore, this plan or program was discontinued. Almost immediately, there was a remarkable improvement in the appraisement of merchandise. We think that we are headed for another disastrous experience if the Customs districts are reorganized as we have heard they would be."

During consideration of the FY 1983 Continuing Appropriations Resolution, both the House of Representatives and the U.S. Senate expressed reservations about the Administration's plan to centralize Customs' appraisement function and, in a piecemeal fashion, responded to the objections of importers and their congressional delegations by prohibiting Customs from eliminating twelve entry processing locations, including Customs offices in Duluth, Minnesota/Superior, Wisconsin; Milwaukee, Wisconsin; Bridgeport, Connecticut; Portland, Oregon; Miami, Florida; Saint Albans, Vermont; Anchorage, Alaska; and Blaine, Washington.

Since that time, importers and members of Congress from other ports affected by the centralization program have voiced strong objections to shutting down appraisement offices and transferring Import Specialists to distant locations. The most recent list of ports which will lose their appraisement capability by April 1 of this year includes the ports of Pittsburgh, Pennsylvania; Charlotte, South Carolina; Greenville-Spartanburg, North Carolina; Jacksonville, Florida; Port Everglades, Florida; Eagle Pass, Texas; San Diego, California; Phoenix, Arizona; Sweetgrass, Montana; Great Falls, Montana; Portal, North Dakota; Toledo, Ohio; and Witchita, Kansas.

Though we have requested detailed information regarding the centralization plan, Customs has still provided no rationale for the proposal and no cost-benefit analysis of its supposed advantages. In addition, Customs has not provided the impact statements on the affected communities required by executive order.

Our objection to the plan is based on our belief that it would break down the Inspector/Import Specialist team that is vital to the smooth operation of our ports of entry. Ultimately, the centralization plan will cost the government billions in lost revenue resulting from entry errors. The range of commodities that an Inspector must examine is too great to permit him the expertise needed for a determination of admissibility. Consequently, the Inspector calls upon the Import Specialist, who frequently joins him in the inspection. Such teamwork is the bedrock of the entire system. It has, for example, prevented botulism-contaminated foodstuffs from entering the stream of commerce. By removing the Import Specialist from close contact with Inspectors, there is a greater likelihood of a shipment being released before its inadmissability is discovered.

In addition, as we have shown, the loss of face-to-face contact with Import Specialists would deprive the business community of an extremely valuable service, and cost many firms thousands of dollars. At the same time, it would hinder the development of foreign trade in many municipalities and result in lost revenue to areas already hard-hit by the recession. We therefore call upon this Subcommittee to make a clear statement of policy concerning the desirability of Customs' maintaining Import Specialists in their present locations by barring the use of appropriated funds for the implementation of this plan.

At the same time, the nation needs a firm commitment to increase the number of Customs Trade and Tariff personnel to the level required to meet the growing demands of trade and a rapidly expanding importing community. Based on the sheer volume of entries, a minimum of 1,400 Import Specialists is required. Customs estimates that, in FY 1984, it will collect over $12 billion in import duties, or over $18 for every dollar appropriated to the Customs Service. Hiring additional Import Specialists would not only help correct present deficiencies in the valuations and classifications program, but it would bring in additional revenue to the U.S. government.

Tactical Interdiction

For several years, this Subcommittee has expressed alarm over the epidemic level of narcotics smuggling. In particular, it has placed a high priority on stemming the flow of drugs into the U.S. across our Southern border. Given this, we find it incredible that the Administration has once again submitted a budget that reduces the number of Customs Patrol Officers, the dedicated group of men and women who are primarly responsible for the enforcement efforts of the Customs Tactical Interdiction function.

Last year, the Administration's proposal for a cut of 70 Patrol Officers was rejected by Congress' and this year OMB has requested that this corps be reduced by over 100. These cuts in personnel are even harder to justify in light of the Administration's request for a second Air Module, a resource package of aircraft, radar and other electronic gear. Clearly, if Customs is going to provide the Patrol function with added equipment, technology which we believe is badly needed in our war against smuggling, the Administration should be no less committed to providing the personnel needed to exploit this new equipment to its fullest capacity.

Along with the Customs Air Patrol, the Customs Land Patrol is enlisted in the fight against illegal immigration and narcotics smuggling. In addition, the Customs Marine Patrol cooperates with the Coast Guard and Navy and other Federal agencies in blocking the use of "mother ships" and other vessels used to bring drugs into the country. An example of the problems facing Customs Tactical Interdiction personnel is graphically illustrated by the Director of the Customs Air Support Program, who last year told the Miami News:

> "What we've got is about 150 targets every day coming in, in the radar environment, and they're not talking on the radio, they're not displaying a transponder code and they're not on a flight plan. And they're not being challenged by anybody...The only people around to challenge them are us and we can only pick six to eight a day to chase."

The fact is that, of 7,000 aerial sorties made by drug traffickers into this country each year, only 1 percent are being successfully interdicted.

As you are aware, the Administration has launched an effort in South Florida to attack the drug problem, and the FY 1984 budget proposes that twelve additional regional task forces work around the country to combine the efforts of Federal law enforcement agencies to fight drug trafficking by organized crime. What the Administration seems to be adding on the one hand, it is reducing on the other. For the reduction in Customs Patrol function is a net reduction from last year's budget.

We ask that the Subcommittee give very serious consideration to the priority that should be accorded Customs Tactical Interdiction, in light of the enormous drug and immigration problems facing this country.

NTEU'S RECOMMENDATIONS FOR AN ALTERNATIVE BUDGET FOR THE CUSTOMS SERVICE

Table 3 appended to our testimony contains our recommendations for an alternative budget that will enable the Customs Service to meet minimum essential requirements for Fiscal Year 1984. High among these requirements are the need for additional Inspectors at our ports of entry, the need for an adequate number of Import Specialists to process a growing volume of imports, and the need for additional Customs Patrol Officers to guard our frontiers.

We would like to summarize these recommendations.

First, we recommend an additional 200 Inspectors and $7.5 million above the level of the FY 1983 Continuing Resolution. This necessarily entails restoration of the Administration's proposed cut of 1,195 Inspection and Control positions and $45.7 million. Also, the 170 positions being lost through decreased reimbursement would be restored, at a cost of $7.8 million. The total additional requirement for Inspection and Control would be $61 million in FY 1984.

Second, we recommend an additional 150 Import Specialists and $5.6 million above the level of the FY 1983 Continuing Resolution. This entails the restoration of the Administration's proposed cut of 698 Tariff and Trade positions, and $26.9 million. The total additional requirement for the Tariff and Trade function would be $32.5 million in FY 1984 under the NTEU recommendation.

Third, we recommend an additional 50 Customs Patrol Officers and $1.9 million above the level of the FY 1983 Continuing Resolution. This entails restoration of the Administration's proposed cut of 102 positions and $1.2 million for Tactical Interdiction. The total additional requirement for Tactical Interdiction would be $3.1 million for FY 1984.

Fourth, we recommend that the Subcommittee allow 256 positions and $50.7 million above the level of the FY 1983 Continuing Resolution for program additions proposed by the Administration, namely, $10 million for Operation Exodus, $3.7 million and 31 positions for support of the Summer Olympics, $18.3 million for a second air module for drug interdiction, $15.9 million and 225 positions for the Customs contribution to the President's new organized crime and drug enforcement task forces, $2.3 million for new ADP equipment, and $.5 million for toxic substance control. These amounts are already included in the Administration's budget request.

In sum, we urge a restoration of Administration cuts in Customs functions totalling 2,000 average positions and $72.6

million. This restoration would save RIF costs of $20 million, or a net increase of $52.6 million. We also support the program improvements and $15.3 million allowance to maintain programs at current levels, as proposed by the Administration, totaling $66 million and 256 average positions. Going further, we would add 400 positions and $15 million for essential personnel and 170 positions formerly reimbursed to Customs by the Department of Agriculture and warehouse proprietors at a cost of $7.8 million. Thus, our total recommended addition to the Administration's budget request for FY 1984 is 2,570 positions and $75.4 million.

We appreciate the opportunity to present our views on the FY 1984 Customs appropriation and look forward to working with the Subcommittee to develop the FY 1984 budget for the Customs Service.

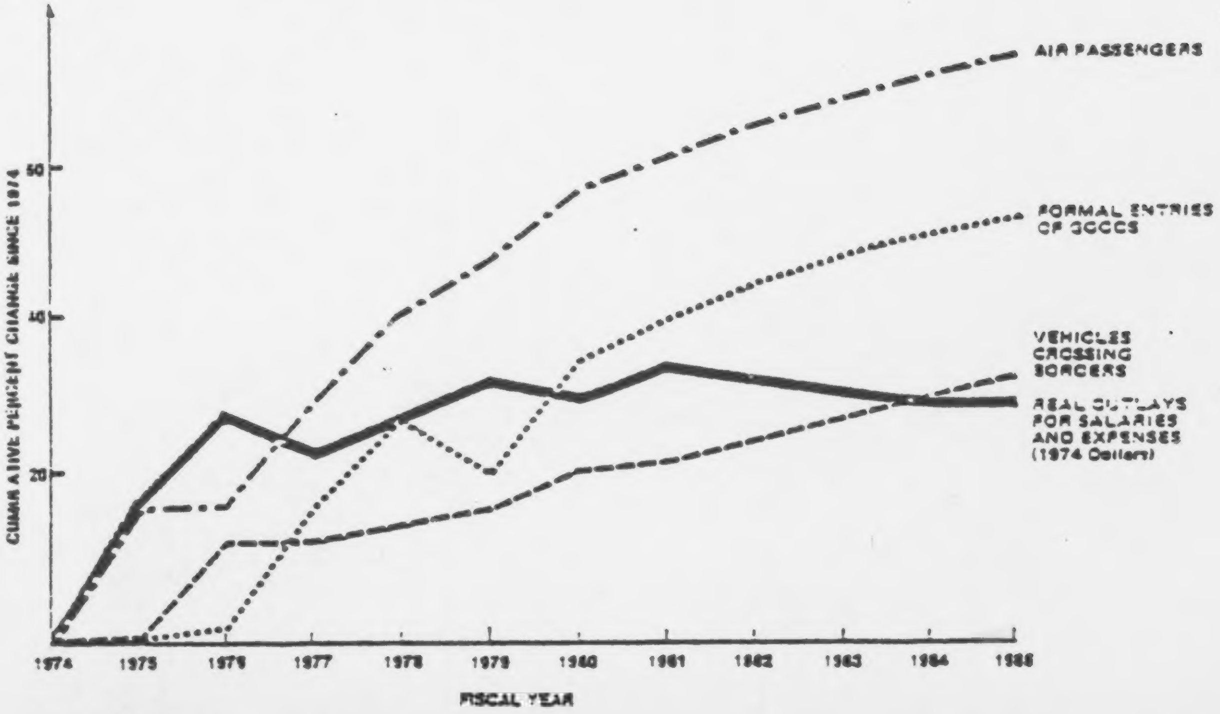
Table 1. Number of Customs Inspectors and Total Employment

FY 1972 - 1984

	Total Employment (Average Positions)	Number of Customs Inspectors	Indexes: 1972=100 Total Employment	Customs Inspectors
1972	11,116	3,754	100	100
1973	11,772	3,700	106	99
1974	11,878	4,000	107	106
1975	13,076	4,400	118	117
1976	13,380	4,300	120	114
1977	13,228	4,300	119	114
1978	13,854	4,399	125	117
1979	14,061	4,174	126	111
1980	13,820	4,165	124	111
1981	13,316	4,379	120	116
1982	12,924	3,987	116	106
1983 (EST)	13,492	4,125	121	110
1984 (EST)	11,748	3,305	106	88

EXHIBIT I

CUSTOMS WORKLOAD COMPARED TO REAL SALARY AND EXPENSE OUTLAYS (1974-1985)



* Trend projection

U.S. CUSTOMS SERVICE BUDGET FY 1984
Administration Proposal and Recommendation of the National Treasury Employees Union (NTEU)

Table 3.

	Admin. proposal		NTEU recommend. to restore to FY 1983 level		NTEU add-on for minimum enforcement staffing	
	$(millions)/ staff years		$(millions)/SY		$(millions)/SY	
FY 83 appropriations	553.7	13,492				
FY 83 pay supplement.	+ 17.6	-0-				
FY 1983 BASELINE	571.3	13,492	571.3	13,492	571.3	13,492
FY 83 program increases:						
Op. Exodus	+ 10.0	-0-				
Olympics	+ 3.7	+ 31				
Air Module	+ 18.3	-0-				
Org. crime & Drug Enforc.	+ 15.9	+225				
ADP Equipment	+ 2.3	-0-				
Toxic substances	+ .5	-0-				
SUB TOTAL	+ 50.7	+256	+50.7	+ 256	+50.7	+ 256
FY 1984 program reductions:						
Tactical interdict.	- 1.0	- 28	-0-	-0-	+ 1.9	+ 50
Centralization of Apprais.	- 5.7	-156	-0-	-0-		
Bonded warehouse prog.	- 2.0	-114	-0-	-0-		
Region & District consolidation	- 5.7	-142	-0-	-0-		
Inspection & control	- 34.4	-198	-0-	-0-	+ 7.5	+ 200
Trade & Tariff	- 16.8	-450	-0-	-0-	+ 5.6	+ 150
Unspecified	- 7.0	-192	-0-	-0-		
SUB TOTAL	- 72.6	-2,000	-0-	-0-	+15.0	+ 400
FY 1984 increases to maintain current levels:						
RIF costs	+ 20.0	-0-	-0-	-0-	-0-	-0-
Other costs	+ 15.3	-0-	+15.3	-0-	+15.3	-0-
SUB TOTAL	+ 35.3	-0-	+15.3	-0-	+15.3	-0-
Nonrecurring costs	- 6.0	-0-	- 6.0	-0-	- 6.0	-0-
Decreased reimbursement*	(- 7.8)	(- 170)	+ 7.8	+ 170	+ 7.8	+ 170
FY 1984 BUDGET	578.7	11,748	639.0	13,918	654.0	14,318

*reduction in reimbursement from Department of Agriculture and other programs

IMPLEMENTING THE REORGANIZATION PROGRAM

Senator ABDNOR. Mr. Klepner, how long have you been aware that the reorganization was considered to take place?

Mr. KLEPNER. We first heard rumors to the effect that this was a program that the Customs Service was going to implement almost 1½ years ago. We at that time requested a detailed briefing by the U.S. Customs Service. We requested a list of the ports that would be affected, and we requested justification for this program.

We did meet, we had a briefing by the Customs Service, and the briefing provided us little information. Over the intervening period of time, as you know, your subcommittee added to the continuing resolution a specific prohibition of implementing centralization appraisement of various ports.

We have not been, during that period, provided with detailed information as to where this would take place, how it would take place, and what timeframe it would take place. It was only, I would guess, within the last 6 to 8 eight weeks that we were provided a list of ports in phase I, a list I believe of 13 ports where centralization of appraisals would occur. We have been informed that centralization of appraisement will result in the elimination of the appraisement function from 39 ports in total.

We have not been officially informed of the other 26 ports that would be affected. So at this time——

Senator ABDNOR. Have you heard that they are going to be affected? The last 26 you are speaking of. You have not heard, but you feel that they are going to be affected?

Mr. KLEPNER. Yes, sir. We have, as a result, not been able to be responsive as we would like to, to our membership, to indicate to them what is going to happen, so that they could prepare for it. We have not been able to be responsive to numerous questions that we have received from Members of Congress, as to whether or not their ports would be affected, nor have we been able to be responsive to the members of the importing community, who have called and asked whether we have heard that their ports would be affected.

In large part, we have been left, not in the dark, but certainly in very dim light, as far as this program is concerned, and for that reason we are very, very grateful for these hearings, because this will be, I believe, the first time that the Customs Service will be required to make a full exposition and a full explanation of what this program is really all about, who will be affected, when they will be affected, and which ports will no longer have an appraisement function.

Senator ABDNOR. Well, we are all interested in knowing before we get into that.

Let me ask you, Ms. McCleary, does every appraiser go with every job like yours—you are an appraiser?

Ms. MCCLEARY. Yes, sir, we appraise and classify merchandise. When the merchandise comes into the country, the proper classification is based on many, many Treasury decisions and rulings, it is ascertained by the import specialist, based on his knowledge. With that proper classification, the rate of duty is set for that item, and the rate of duty, as Ms. Ganey pointed out, in textiles, which I handle, if it is on a manmade fiber, it can be 40 percent, if it is cotton, nonornamental goods, it could be 16 percent, as low as 16. So the variance in duty is great.

What we do in appraising and classifying that merchandise, it is critical to the amount of revenue obtained. Also, when we examine the quota, whether or not the quota is circumvented, is highly dependent upon what we do in our jobs, how we examine that merchandise, and the papers associated with it.

Also, I might add that it is heavily dependent upon our getting out into the import community, and knowing what importers are bringing in. In that case, what goods are actually being cut in America before being shipped out to be assembled. So the amount of revenue that we collect depends upon our being on site and getting this information.

We do this centralized appraisement that I referred to before. It was a move to designate certain centers for certain merchandise. A move away from the importing public and the problems that arose under this particular centralization are the same ones that will arise again, Senator.

PORT EVERGLADES

Senator ABDNOR. Well, you spoke of Port Everglades. Do they have one specialist?

Ms. MCCLEARY. Yes, sir, she handles approximately 500 entries, and she handles quota merchandise, and she handles steel product merchandise, all subject to very strong lobbying in this country, and affecting this Nation's industries.

Senator ABDNOR. Well, I certainly am well aware of their interests, as well I should be, and as the morning progresses maybe we will learn more about the details of the program, and we thank you all for coming, and any written statements that you have will be made a part of the record.

Mr. KLEPNER. Thank you, Mr. Chairman.

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

STATEMENT OF ALFRED R. DeANGELUS, DEPUTY COMMISSIONER OF CUSTOMS

ACCOMPANIED BY CORA BEEBE, ASSISTANT SECRETARY FOR ADMINISTRATION

OPENING REMARKS

Senator ABDNOR. Once again, we welcome you, Mr. Secretary, and welcome back to our committee.

We have had witnesses from the various ports, all of the employees, as well as Members of Congress, we have seen them coming in and out, all very much interested in knowing more in detail what lies ahead for ports, and programs being implemented, if all went according to the proposed plan.

So we certainly welcome you back to the committee. I understand that you have an opening statement, is that right?

Mr. DEANGELUS. Yes, I do, Mr. Chairman.

Senator ABDNOR. Why do you not just proceed?

Mr. DEANGELUS. Thank you, Mr. Chairman, for the opportunity to appear before this committee, in order to respond to your concerns regarding centralized appraisement, a major Customs initiative.

I know my time is limited and I will try to keep my opening statement as brief as possible. However, I am joined today by Assistant Secretary Cora Beebe, and at the conclusion of my testimony we will be pleased to answer any questions that you or the committee may have.

The Customs Service is an efficient organization primarily because our management has consistently stayed abreast of changes in private industry and technological advances. Today, we at Customs are faced with an increasing workload and, like every other Federal agency, a need to do more with less.

During the last fiscal year, 300 million passengers were cleared through customs. We processed 4.7 million merchandise entries. We passed more than one-quarter trillion dollars' worth of cargo through customs. All that and 91 million carriers including vehicles, vessels and aircraft. Those numbers can only increase. In the next fiscal year, we expect to work with more than 7 percent more passengers, with more than 7 percent more carriers, and with more than 9 percent more cargo.

We can effectively meet this increased workload through our advances in automation. The Customs Service is now in the process of integrating all our data processing systems into one comprehensive system, the automated commercial system, which will better allow Customs to operate selectively and more efficiently in clearing both passengers and cargo. One of the major elements in this system as it relates to cargo processing is the automated cargo clearance and enforcement technique. In fiscal year 1983 it will go onto a central computer and be expanded to 10 major ports.

Another major element will be the automated broker interface system which will connect Customs directly to the customhouse broker community. The importance of this can be seen by the fact that currently 60 percent of broker entry summaries are now prepared on computers. Customs needs to take advantage of that capability. Our eventual goal is to have a paperless entry.

Centralized appraisement, among other things, will make our automation effort more feasible and more cost effective. In addition, centralized appraisement will add to the effectiveness of the bypass and post-audit systems which are instrumental in our efforts to modernize the import entry process.

Besides meeting the brokerage community's desire to transact business with Customs in an automated system, we also wish to deal with their other major concern—the uniformity of tariff classification. Centralized appraisement will provide for more uniformity of classification, which will allow brokers to know in advance the tariff consequences of an import.

In addition to enhancing our automation efforts and providing for uniform classification, centralized appraisement makes good management sense. Customs studies show that of the 65 duty appraisement centers in operation as of April 1, 1983, 20 of those centers handle over 70 percent of all formal entries filed in the United States. None of these 20 which handle the bulk of the entries will be centralized. Moreover, our import specialists will be able to increase their expertise in particular commodity lines.

I would now like to address some misconceptions about the initiative which may have given rise to your concerns. First, I would like to note that the vast majority of over 300 of our ports of entry do not have import specialists present, which has not hindered their effectiveness nor attraction to importers.

Second, you may be assured that the transfer of the import specialist function does not mean an end to the Customs presence in the port. Entry papers will still be filed at the port of arrival. Under centralization, however, we will be able to process these papers at another location. The absence of an import specialist will not affect the initial customs review of these documents. Similarly, centralization will not delay merchandise being released to importers or entered into or withdrawn from foreign trade zones or customs bonded warehouses. These and all other customs activities will proceed without disruption. The import specialist at the centralized location will still be readily accessible, and we will emphasize the use of telephone communication to insure a minimum of paperwork.

Mr. Chairman, I will close by saying that regardless of budgetary considerations, this initiative makes good management sense and enhances our ability to meet the challenges we face. I hope I have addressed your concerns and will be happy to answer any questions that you may have.

Senator ABDNOR. Do you have a prepared statement?

Ms. BEEBE. I do not, Mr. Chairman.

Senator ABDNOR. Well, thank you.

And as you mentioned, my concern is certainly enhanced. Yes, I do have concerns, and that is why I have asked you to come forward today, so that we can have a little better understanding of what you have in mind, and how it all fits together, so that we can clearly see it.

I recall 1 year ago I had the same concerns about another group before us, and it was a while before we got all the facts, and we put our heads together and we did not totally agree, but today we have a good functioning organization, streamlining, improving the effectiveness of Customs, it truly does.

But we have heard from a number, 2,000 people, we could not visualize this, how this would make for greater efficiency. I guess that is what we are talking about today. I am just speaking about manpower, and I guess that is what we are concerned with.

What did Customs originally request, do you recall? Who do you turn your requests in to?

Mr. DEANGELUS. We turn our requests in to the Department of Treasury, and then the Department of Treasury makes a request to the Office of Management and Budget.

Senator ABDNOR. It is a chain that goes up?

Mr. DEANGELUS. Yes.

Senator ABDNOR. What was the original request on the part of Customs, before anything else was done?

Mr. DEANGELUS. The original Customs request was for essentially a level budget, from 1982 to 1984.

Senator ABDNOR. What was that authorized level?

Mr. DEANGELUS. That was 13,492 positions, Senator.

Senator ABDNOR. 13,492. All right.

Then what did Treasury request of OMB?

Mr. DEANGELUS. Treasury requested 12,944 positions, Mr. Chairman.

Senator ABDNOR. And then has the OMB then suggested these cuts?

Mr. DEANGELUS. OMB initially allowed Treasury and Customs 11,492. The Secretary appealed that, and OMB's subsequent allowance was for 12,423 average positions.

Ms. BEEBE. Mr. Chairman, we will be happy to provide this table for you, if you would like it.

Senator ABDNOR. Yes, because any decision we render here will revolve around the steps here, and what actually takes place.

[The information follows:]

CHRONOLOGY OF CUSTOMS 1984 SUBMISSION

	Average positions	Budget authority
Departmental submission	13,492	$630,661
OMB submission	12,944	613,653
Initial OMB allowance	11,492	484,700
Departmental appeal	12,423	571,951
OMB allowance of appeal	12,423	553,651
Departmental appeal to Budget Review Board	12,423	571,951
Budget Review Board allowance	12,423	571,951
Adjustments after appeal process:		
Organized Crime Task Force	+225	+15,881
Drop INS Border consolidation proposal	-900	-30,700
Pay Act requirements		+21,617
Congressional submission	11,748	578,749

PLANNING AND BUDGET PROCESS

Ms. BEEBE. Mr. Chairman, I think it is important to put in context the nature of the planning and budget process we have in the Department of Treasury. It begins generally about March, where the Bureaus are asked to identify key issues and problems for the next year's budget cycle. In June Bureaus send to the Office of the Secretary their preliminary budget recommendations, and in general we anticipate and expect the Bureaus to be the advocates for their program. Then the Department, as a whole, reviews the entire Treasury budget within general guidelines from OMB. We make tradeoffs between the various Bureaus and numerous programs within the Department of Treasury, and come out, we hope, with a balanced proposal to the Office of Management and Budget.

In the same way, beginning in September, the Office of Management and Budget looks over all of the requests from the various Departments, trying to keep the total Federal budget within certain constraint levels.

As you know, we are attempting to reduce personnel in order to meet the President's goal of a 75,000-position reduction in nondefense civilian employment. We are also committed to reducing overall spending in the Government.

So, OMB then provides us—around the Thanksgiving period—with a tentative mark, or an allowance for spending levels in each of the Bureaus within the Department of Treasury. Then we in Treasury look over those proposals, which include some increases and some decreases compared to the Department's original recommendation. For those items where we feel that we would like to have a different level, we go back to OMB through an appeal process. We work out many of these changes at the staff level with OMB, and then the final ones are taken to the Budget Review Board and to the President. In this case, we considered for some time the appropriate overall level of funding for the Customs Service. As you can see from the numbers in the table, Treasury did appeal to the Budget Review Board, which did provide additional resources as a result of that appeal.

In making our final decision, we tried to recognize that we were requesting a 231-position increase for the Customs Service, as well as the reductions you are aware of. Several of those areas of reductions are ones which we feel, regardless of certain resource constraints, are things we want and need to do to make Customs more efficient. In some cases these proposals follow our practices and decisions made in prior years.

Senator ABDNOR. Thank you.

Mr. DeAngelus, did you not say that after the appeal you received, the number was 12,423?

Mr. DEANGELUS. Yes; after the initial appeal, Mr. Chairman. However, the Secretary made another appeal, and as part of that appeal, 225 positions were added for the 12 city task force, the President's Drug Task Force, and 900 positions were dropped, because the original proposal included a proposal to merge the primary inspection functions of Customs and the Immigration Service into the U.S. Customs Service. It resulted in a net of 11,748 positions after the final appeal.

I am sorry I did not make that clear.

Senator ABDNOR. I was wondering. Your sheet did not show that.

How was the actual personnel figure reached, like 980 inspectors, did you put one wherever you needed one, and then totaled it up, or just say we are going to have 980 inspectors, and 430 in tariff and trade?

Mr. DEANGELUS. As Assistant Secretary Beebe tried to explain, part of our initiatives, I believe, are good management initiatives that were planned, and would be made regardless of whether resources were increased or decreased. Each agency is asked to contribute to the overall budget reductions, with minimum adverse impact on the community, and on our enforcement efforts.

Senator ABDNOR. What was the guidelines? When you started doing this, what were you looking for? How did you pick one port over the other for reductions?

Mr. DEANGELUS. Those all have not been selected yet, Mr. Chairman. Part of the reason was centralized appraisement. We had planned, in developing our automation effort to reduce——

Senator ABDNOR. What is centralized appraisement? I am trying to learn these things.

Mr. DEANGELUS. Centralized appraisement, I mentioned there are 300 customs ports of through approximately 270 of which merchandise is imported. When that merchandise is imported, it is cleared by a customs inspector, and 10 working days later, approximately 2 weeks, the importer makes a declaration as to his estimated duties due the U.S. Government. Those documents, at most of the smaller ports of entry, are then forwarded to what we call a centralized location, where we have import specialists present.

Senator ABDNOR. That is right now?

Mr. DEANGELUS. That is under our current arrangement. But though currently that is approximately 65 locations. At one time it was 83 locations.

The documents are forwarded to the centralized location, to an import specialist, and the import specialist, even though he is at Milwaukee, would process them for Kenosha. There is no import specialist at Kenosha. Once they are finalized, then they are returned to the port where the cargo is cleared, and a mail notification goes to the importer, telling him additional duty is due, sending him a check if he paid too much duty, or telling him that he estimated the duty correctly.

What we are attempting to do with centralized appraising is reduce the number of those centers where documents are currently finalized.

In 1981, the House of Representatives passed a resolution directing Customs to reduce, to not more than six regions, and not more than 35 districts, by the end of fiscal 1983. Consequently, at that time we adjusted our centralized appraisement plans to lay down guidelines that would be no more than one centralized location within each district, each customs district, for handling appraisements, handling the entry work.

Consequently, at the time we had 46 customs districts, so we adjusted our planning to contemplate the 35 customs districts, and six regions, that the House of Representatives had directed in 1981. They did not directly address specific regions. They just directed specific numbers.

This has been a good management move that we have been trying to move toward, and last year Customs did close two regions, the San Francisco and Baltimore regions, so we now have seven regions. We have several proposals for reduced districts; however, partly because of the continuing resolution this precluded certain actions, and partly because of actions of this committee, we have delayed further plans to consolidate.

Ms. Beebe. Mr. Chairman, I would like to point out some of the economies of centralizing appraisal. It is important to understand our little pie graph here, that shows that 86 percent of all entries would remain in the port. We are only talking about 14 percent of entries being consolidated.

In some of the particular appraisement areas that we would close, they are handling only two-tenths of 1 percent of the formal entries. So we are talking about moving our import specialists from areas where the volume is low, into areas where we can take advantage of automation, as well as taking advantage of allowing our specialists to become indeed more specialized in the area of their knowledge. The book lists what an import specialist has to do in applying the particular duties, and we feel there are advantages in both developing the expertise of the specialists.

We have great swings in the number of cases that some of these import specialists handle in some of the small ports, although they may be handling one-half the national average, in terms of the number of cases.

Senator Abdnor. Now, as I understand it, all these things that we are talking about, this great new process is going to be built around an automation increase, is that right?

Mr. DEANGELUS. That is right, Mr. Chairman.

Senator ABDNOR. I think you referred to that in your testimony. It will make it more feasible and more cost effective.

The limitation of your interface system is probably what, 3 to 5 years away from the most optimistic?

Mr. DEANGELUS. We hope it is much less than that, but it at least a year from now.

Senator ABDNOR. You hope to do it in at least 3 to 5?

Mr. DEANGELUS. We hope to speed that timetable up, because we began 2 years ago.

Senator ABDNOR. The success, you would contend, that the success of it depends on this, and you really cannot make it work until you get it all in place, can you?

Mr. DEANGELUS. Senator, that is partly so. However, centralized appraisement is the foundation, in effect, for the building. We are getting ready for the fully automated system. Centralized appraisement is not a new idea. We centralized in the past. Rochester, Syracuse, N.Y., and more recently, Perth Amboy, N.J.; Palm Beach, Fla., and San Francisco Airport, we have done it without adverse effect on the communities.

The idea is to have our people in place so that as the computer system comes on line we can take advantage of management efficiencies and utilize the computer system, and the intended input of that system at centralized locations.

Ms. BEEBE. In 1984, five ports will be on this system, and they will process approximately 11 percent of the total entries.

Senator ABDNOR. What year? When?

Ms. BEEBE. In fiscal year 1984.

Mr. Chairman, the centralized appraisal center does not depend on this system coming on line. As my colleague mentioned, we have over 270 ports which never had—or never had, in recent times, an import specialist. We would be handling, for the consolidated ports, the business in the same manner, by phone and by mail.

Senator ABDNOR. Well, then you say you have four or five ports to date?

Mr. DEANGELUS. Which have been previously centralized, yes, Mr. Chairman.

Senator ABDNOR. How long a period has that been going on?

Mr. DEANGELUS. Rochester and Syracuse were done in the early seventies. Perth Amboy and Palm Beach were done more recently.

Senator ABDNOR. And the growth of these ports have been similar to what we have been hearing about?

Mr. DEANGELUS. Rochester, in fact, has grown greatly since centralized appraisement was in effect.

Senator ABDNOR. And no adverse problems?

Mr. DEANGELUS. No adverse effect, Mr. Chairman. And the importers, people using the port, people themselves all find it very satisfactory, Mr. Chairman.

The fact is that the main concern with importers and brokers, especially importers, is clearing the shipment itself as close as possible to their physical location, and that would not be changed by centralized appraisement. Some of those who testified earlier mentioned ports where they have to change and import their merchandise to some other place, and it would be great expense to the company. That is just not so. Just as merchandise arrives today in Anchorage, it has no import specialists, that merchandise in Anchorage arrives in the morning, the broker or importer comes down and presents the papers to the Customs inspector, he inspects that shipment, and releases the shipment immediately. Then the importer or the broker has 10 working days, approximately 15 days, to submit the customs entry. So the merchandise is cleared just as it would be in Milwaukee or any other place.

Mr. Chairman, an analogy might be drawn to the IRS Service Centers. Even though IRS has 60 something districts spread around the country, and you submit your tax declaration each year, you submit it to one of the 10 IRS Service Centers for processing.

Senator ABDNOR. You referred to Alaska, is that where you have been negotiating up there, I think, with the different ports, an area where this change was contemplated, and Senator Stevens, was he not involved in this?

Mr. DEANGELUS. Yes, Senator Stevens was very much involved.

Senator ABDNOR. How was that one solved?

Mr. DEANGELUS. That was solved, that the port will be left as it is under centralized appraisement without an import specialist.

Part of the problem, bear in mind, Mr. Chairman, that it is not this concept that is bothering us, it is my implementation of it. I have not done a good enough job in explaining to the people affected, that imported shipments will clear through the ports just as they always have. The only change is the customs declaration, the entry, will be finalized at a remote location.

I think if I anticipated the concerns of the community there, and brokerage community, and gone out and explained this to them, I think we would have had much greater acceptance.

Since some of the concerns have been raised, I made a point of going out and speaking to brokers and importers, and going out to some locations. While I am sure I have not convinced everyone after hearing my story, I think that I have gotten much greater acceptance. In fact, in many places that have been centralized or where there are plans to centralize, many of the local importers and brokers have stated to me privately that they now understand, and can accept it, as long as they are not personally identified.

Senator ABDNOR. Then can you categorically say that it works out well in the large part in Alaska, that is, most of them are satisfied?

Mr. DEANGELUS. We believe that there is still some concern in the most recent round of centralization, because it only recently occurred, in the past few weeks. Alaska occurred last summer, and consequently, they had a greater time to find out that there is no adverse effect.

Senator ABDNOR. Again, I am referring to your worksheet here, your summary sheet, and in all of these categories, the determination was made.

I guess we talked about this, but I still have not—I do not quite understand that. Can we start again on this? This is the key that we are talking about. There are two bodies here, and different categories, and I am trying to find out in my mind just how this comes about.

Mr. DEANGELUS. All right, Senator. A number of them were management initiatives, which I think are good management initiatives, to make the Customs Service run more efficiently in order to conserve the tax dollars. Centralized appraisement was one which would result in a savings of 156 average positions.

Senator ABDNOR. 250—156?

Mr. DeAngeles. 156 in fiscal 1984, because some economists have already been effected, Senator. We have been reducing, through attrition, the number of locations, and the number of people.

Senator ABDNOR. Are these going to be moved some place, or dropped?

Mr. DEANGELUS. We would hope that they would not all be moved, Senator, and that a number of these would be affected through attrition, promotion, retirement, or leaving the agency.

Bonded Warehouse Administration was 114 positions in fiscal 1984. You may recall that early in fiscal 1983, actually December 1982, we eliminated physical placement of customs officers in bonded warehouses around the country, saving the importing community approximately $8 million by this audit/inspection program.

In order to take care of the affected employees, we placed employees, in fiscal 1983, in other working level positions in Customs, and we hope through the remainder of fiscal 1983 to work these people into other positions, thereby realizing the full savings on the bonded warehouse consolidation, and not separating the employees where we had adequate resources to allow employees to remain.

Ms. BEEBE. I think the point concerning the bonded warehouse program is that we made the change last fiscal year. These position savings are the remaining supervisory and specialized persons, where there is really no job for them to perform. This change to the bonded warehouse program was partly based on the very successful program that we had with the Bureau of Alcohol, Tobacco and Firearms which made the change two fiscal years ago. We are finding with our one full year of experience in ATF that they have actually been able to increase their revenues, and have a better picture of the ingoing and outgoing flow of the alcohol, and as a consequence, the post-audit has been very effective.

Mr. DEANGELUS. Regional and district consolidation was 170 average positions, partly resulting from the closing of the two regions, in San Francisco and Baltimore, effective October 1, 1982, and partly anticipating further consolidation of districts and regions.

Again, we are implementing what we believe are good management moves, trying to do with less, cutting out administrative fat, generating administrative efficiency is totaling 192 positions.

Again, this was a concentration, upon the Commissioner's directive, wherever possible, we reduce our overhead, so that we can have more people on the line, more people enforcing——

Senator ABDNOR. Let me ask you, how many of the 192 are of the administrative efficiencies, how many of those?

Mr. DEANGELUS. Mr. Chairman, I do not know approximately, but it would be a—I do know approximately, it is 91, Senator.

Ms. BEEBE. Mr. Chairman, you will notice, throughout the Treasury Department's budget that almost every Bureau has built-in savings from efficiencies that have been developed. Treasury has come before this committee for additional resources to support this automation, and you have been very supportive of our efforts. As a result, we have been able to save thousands of staff years through more efficient and more productive means of carrying out Treasury's business.

We consider this to be one of our most successful approaches in the budgeting area—that is, to find more efficient ways to carry out our business.

You noticed savings in the Internal Revenue Service, for example, or in ATF where they are doing similar things that Customs is doing.

Mr. DEANGELUS. The last two categories, Mr. Chairman, are Customs contribution in order to meet the President's target of reducing the overall cost of Government to the taxpayer. We have a number of initiatives started under the Commissioner's directive to affect economies in all our operations.

We believe that through good management, through selectively applying these new programs, that we affect the rest of the Commissioner's directives.

Senator ABDNOR. 919 inspections and control?

Mr. DEANGELUS. Yes, sir.

Senator ABDNOR. Tell us about that. That is a lot of bodies.

Mr. DEANGELUS. We are going to do everything possible, Mr. Chairman, to meet these targets. Customs has always responded, and has been able to meet the challenge of the day, and we believe that through strenuous efforts, through good planning, that we can meet these economies with a minimum adverse effect on the traveling and importing public.

Senator ABDNOR. How many people do you have in that category? How many people are in the inspection and control?

Mr. DEANGELUS. In inspection and control there are approximately 7,000, Mr. Chairman.

Senator ABDNOR. So you are taking on what?

Mr. DEANGELUS. The inspectors, per se, there are approximately 4,400, but there are a number of support personnel in the inspection and control function.

Senator ABDNOR. How many of the 918 people are Inspectors?

Mr. DEANGELUS. I believe about 800. Approximately 800. That would be a 17-percent reduction in the number of inspectors onboard.

Senator ABDNOR. I think we have been talking in kind of generalities. Where are the places where you are going to make some decisions? Can you show where this is going to be done, and the savings?

I know we keep talking about the automatic equipment, but I think the time is going to come that we have to get specific on that. Maybe you can give us more detailed information on that.

Mr. DEANGELUS. Well——

Senator ABDNOR. We have not really said how we are going to it, have we?

Mr. DEANGELUS. There are a number of programs and proposals under consideration, Mr. Chairman.

Senator ABDNOR. But you have already said you are going to drop them, and here you are talking about proposals under consideration. I am not saying you should not do it, but by golly, you ought to be able to prove that it is going to work, and not just consider it. It ought to be done before you come in here and tell us about it.

You are asking us to go for something. We would kind of like to know, from experience, pretty well planned, that we can see it in black and white, if it works, fine, we will help you take credit for it. If it fails, we will take the blame for it. So we too would like to know how this works.

I wish there was some way that we could stop talking about several ways, and tell us exactly what we are looking at.

Mr. DEANGELUS. One of the ways, Mr. Chairman, would be closing a number of northern border ports. A number of northern border ports were established prior to the invention of the automobile.

Consequently, it would be unreasonable in the horse-and-buggy days to expect people to go 40, 60, or 100 miles to go across the border into Canada and come back the same day. If you look at the chart of the various border crossing points along the northern border, you will find that many of them are within one-half mile, 10 miles of each other. Pembina, N. Dak. and Grand Forks, N. Dak. are within a short distance of each other, and yet they are both open 24 hours a day, 7 days a week.

We believe that we could affect some economies by closing some ports which are very close to one another, by alternating the closings so that no one would be greatly inconvenienced, and we could achieve the savings.

Senator ABDNOR. Was there ever a need for those two ports? One is on the border——

Mr. DEANGELUS. Yes, they are both on the border.

Senator ABDNOR. Both of them are border ports?

Mr. DEANGELUS. I misspoke. I am sorry. They are Pembina, N. Dak. and Nayes, Minn.

Senator ABDNOR. Well, we enjoyed visiting you here. You do have a plan. Obviously you have a plan that you are going to reduce these numbers by. Somebody must have a plan. I would just like to go through that plan, where it is going, and how you are going to do it.

Mr. DEANGELUS. Senator, as I tried to explain earlier, some of the things are very specific and are well planned. I have been 25 years in the Federal service, almost all of it in Customs. I have been in Customs since I was 22, and we are going to do our darndest to meet these targets, Senator, without adversely impacting the import community and the traveling public: we will try to——

Senator ABDNOR. I guess the thing that bothers me, you see, and I know you will, you say you are going to try. But what if you do not? I mean, you are asking us to go a little bit premature.

If the thing is going to work—I do not know, I do not think businesses can go off on a whole new program that way, thinking that you are going to try. Maybe they will try a little bit with a pilot program, or something, but to effectuate the whole thing and hope that it works, that is a lot of—that would be quite a disruption here.

Mr. DEANGELUS. Senator, part of the problem is that many people up here, including yourself, know as much about customs as I do. But the one thing I would like to stress from the working aspect of Customs is that we can and do respond always to a challenge, and I believe we can meet these challenges.

Senator ABDNOR. Well, let me say this. I do not know anything about Customs. I will be the first to tell you. Maybe that is a good thing, because I want you to explain how it does work. I guess that is what I am clearly convinced, I guess, maybe if I was experienced and an expert like you are, then I could readily understand this. But in the meantime, it must work, you ought to be able to explain it to me. I am not the most impossible one, I do not think, to get through, how it could be made to work.

I just think we are not very specific. I think we are talking about what we think it will. Who put—did you put the plan together? I mean, you are the one, if it is your plan, you must fairly go through it step by step. Did you do this?

Ms. BEEBE. Let me help, if I might, answer that question.

The Customs Service's original budget request in the Department did not contain the deep cuts that we proposed to the committee. So the Customs Service has been asked, and they are developing a plan which will not go into effect obviously for many months from now, which would accommodate the 2,000 positions cut. So they cannot tell you exactly which grades, which levels, and in which places each of the 2,000 proposed position cuts will be made.

They also cannot tell you where the 231 additional people who are going to be added to the budget will be placed. However, there are things that we can tell you about the areas in which the cuts will be taken, including what we believe to be the effects of these reductions.

Senator ABDNOR. Well, madam, let me stop you there, for a second.

Obviously Customs, or the Treasury, asked for this wholesale cut. Somebody is masterminding it, thought it could be done, is that OMB? Are they the ones that determined that these cuts—somebody has got—is responsible. Maybe we ought to have them help us.

Ms. BEEBE. It is not a matter of asking OMB. The final budget determination was made that Customs could take these cuts. We have examined our Customs programs.

Senator ABDNOR. Yes, but it did not come from you, and it did not come from Customs. Who did it come from? I do not think the Secretary asked for it. Did he not ask for something like—were they not talking about 200 instead of 2,000 at one time here?

Ms. BEEBE. We will provide this table to you, which shows exactly the development.

Senator ABDNOR. I guess I am trying to find the guy that put it together, that thought it could be done, that is all. The mastermind in the crowd somewhere, and I just wonder who it is.

Let me ask you this. OMB, is it always the same individuals that you work with, so that they are experienced people, and you have a good understanding?

Ms. BEEBE. No, Mr. Chairman. The individual analysts change from time to time.

Senator ABDNOR. I just wondered. Because it is a pretty big step, and a pretty major reorganization, and it ought to be handled all the way by experts. It is great. A lot of things are desirable to be carried out, and I sometimes think you people are given an impossible task, and I admire the fact that you are trying to do it and live with the guidelines given you.

But I just think that if we are going to be a part of it, we want to know more about it than the mastermind that put it together.

Is there a reorganization memo with this thing, on how to develop this plan?

Ms. BEEBE. Centralized appraisal?

Senator ABDNOR. Well, on the whole reorganization. Is there a—was there a memo, or program worked out, that we are aware of, or heard about here?

Mr. DEANGELUS. We have a document that addresses all the centralized locations planned for fiscal 1983 and fiscal 1984.

Senator ABDNOR. Now, that is the plan that is going to come up with the reductions in the numbers in the personnel, right?

Mr. DEANGELUS. That is right, for centralized appraisement, Mr. Chairman, yes.

Senator ABDNOR. What about the overall plan? I mean, that would take care of everything then, would it not?

Mr. DEANGELUS. We have plans for centralized appraisement, bonded warehouse, regional consolidation, some proposals for administrative efficiencies, and some proposal for inspection and control selectivity.

For example, moving to a more red-green type passenger inspection at the airports, and for example, norther border ports.

Senator ABDNOR. Have we had access to those?

Mr. DEANGELUS. I do not believe they have been requested.

Senator ABDNOR. If we do, could we have some time, not this morning, but we could sit down with you people and go through them.

Ms. BEEBE. We would be happy to brief you on them.

Senator ABDNOR. We might just do that before we come up with our final conclusions, and get a little more knowledgeable about the Customs business, how it works.

Well, one of the subjects we are talking about, the closing of the northern borders, right? The stations.

Mr. DEANGELUS. Yes, sir.

Senator ABDNOR. How many do you anticipate closing of those?

Mr. DEANGELUS. Mr. Chairman, I do not have the numbers with me, but I believe it was approximately 30 to 40.

Senator ABDNOR. Could you give us a list of them?

Mr. DEANGELUS. Yes.

Senator ABDNOR. What role did the INS play in this?

Mr. DEANGELUS. The list was worked up jointly, at the initiative of the Immigration Service, Mr. Chairman.

Senator ABDNOR. They sat in, they had input in it?

Mr. DEANGELUS. Yes, sir.

Senator ABDNOR. They were working that out?

Mr. DEANGELUS. Mr. Chairman, I must point out that that was a joint Customs-Immigration proposal. It has not been approved by the Department of Treasury.

Senator ABDNOR. You mean these closures up North, in the northern area?

Mr. DEANGELUS. That is right.

Senator ABDNOR. The ones we hear about in the congressional delegations, have you talked to any of those people?

Mr. DEANGELUS. I believe that our congressional staff, and Immigration congressional staff have floated up several proposals to the northern border delegations, yes, sir.

Senator ABDNOR. Does this not seem to be a bigger problem with INS than Customs? What prevents people from coming across at these places, whether you have an office there or not?

Mr. DEANGELUS. The same thing, we hope, Mr. Chairman, that prevents them from coming at other locations where we do not have a Customs port.

Senator ABDNOR. We have not done too well in that, have we? I mean in the Southern part of our country, at least, where they double and triple.

If there was a closure, and I wanted to slip in, I come from one country into Canada, maybe it is a little easier to get to Canada, I might even be carrying something that I should not be carrying. Would I not go there? Would that not be a logical place for me to pick out?

Mr. DeAngelus. Yes, sir, Senator, it would. However, and we do patrol, we have people report to us, we have interested citizens report to us about illegal crossings. Consequently, anyone trying to enter the country illegally, automatically makes themselves a target, a visible target. Consequently, most of the people try to come through the port of entry, since we do not process everyone that comes through the port of entry.

Ms. Beebe. I would assume, Mr. Chairman, that the committee understands that there is no way to have people located in all the possible places that one could enter the United States, given the thousands of miles of border that we have.

What we have to do is make a judgment, it seems to me, as to where the key points are that we need to have permanent coverage, and where we could do this through selective control. This is what the Customs Service has been studying, and while firm policy decisions have not been made, I think it is important that they continue to study how best to utilize their resources. If they do not continue to do that, then you could see the Customs Service growing by another 2,000 to 4,000 people, very easily. They have to continue to manage their resources, and look at where people could be most efficiently placed.

Senator Abdnor. Well, then I realize that you get a certain amount of protest in any kind of closure, but have you had pretty good luck in sitting around with these people in these areas where they are involved, and getting them to understand the problem?

Mr. DeAngelus. The fact that we are here today, Senator, indicates that there is some considerable opposition to some of these ideas. I tried to explain it earlier.

Senator Abdnor. No; I mean when you sit down and talk with them, do you come out pretty well?

Mr. DeAngelus. I believe that many of these things will be accepted if I do a good job of explaining them.

Senator Abdnor. Well, you have got phase I underway.

Mr. DeAngelus. With regard to centralization, yes, sir.

Senator Abdnor. Do you think the cost-benefit through phase I is good, knowing all the involvement and the cost of implementing it, plus the problems it is causing to go out and sell it?

The water resources, talk about the cost-benefits, it leaves you a good many savings——

Mr. DeAngelus. Senator, there are a number of benefits to centralized appraisement. We did take the smaller locations, and some of the costs are very, very high, as I explained earlier, because we did not do enough homework in going out and explaining to the people what is going to happen, Assistant Commissioner Schaffer and I did not spend a great deal of time explaining it.

However, the benefits are there. On the North Dakota border, for example, we have had shipments treated differently at one port of entry, for example, as against Pembina. We have had this kind of thing happen around the country. Because of the fact that we require one import specialist to handle the entire range of the Tariff Act as against a small segment of the Tariff Act, homogeneous segments.

When I worked in New York, Senator, I handled one-sixtieth of the Tariff Act. I really knew knitted wearing apparel. When I went to North Carolina, I handled the entire tariff. Consequently, when I got a shipment of wearing apparel, I could handle that very efficiently. When I got steel, or printing machinery, or tobacco, I had to take a lot more time processing them. I had to seek more guidance from the New York specialists.

Consequently, we believe in the centralization of the first 13 locations, no one of which had more than four-tenths of 1 percent of the Customs workload volume, that greater efficiencies will come about, not just from the costs, but from the benefits to the importing community, and that their imports will be treated more uniformly, more accurately.

Senator ABDNOR. Well, as you both know, Senator DeConcini is the ranking member of the minority side, and again, my scheduling the meeting at the time I did, he was not able to be here. But he has an extreme interest in this. I rely very heavily on the contributions that he makes to this committee. He, of course, lives in a border State, and has a great deal of interest, and he has some questions, and I am going to read them, on his behalf here, if I can.

According to your own data, as of March 19, 1983, Customs has 13,294 personnel onboard in the agency, or 1,391 below your authorized ceiling of 14,685. The tables provided the subcommittee have indicated that your investigations, patrol, and inspector positions are hardest hit by the staffing shortfalls. Investigations are 211 positions below your authorized level ceiling of 987. The patrol is 153 positions below ceiling of the 1,350, and the inspector slots are 137 positions under the ceiling of 4,501.

Why have you had such difficulty in filling your key investigation, patrol, and inspector positions?

Mr. DEANGELUS. There are several reasons for that, Senator.

With regard to agents, we just received an increase of 200 positions from the present 12 city task force, increasing our agent manpower.

In addition, as a result of the closing of the two regions, and reducing 146 administrative positions, we transferred positions to our enforcement effort, inspectors, patrol officers, and agents.

Further, we have had a heavy emphasis on filling these positions from within, in order to minimize any reductions in force which would occur on October 1, 1983. It would not make sense to fill all these positions with people from outside the Customs Service, and then to have to reduce by 1,750 people on October 1, put people out on the street. We are trying to accommodate as many Customs employees as we can in positions that would remain after October 1.

Senator ABDNOR. I wish Mr. DeConcini could be here himself, if he wanted to elaborate on that.

Your tables also indicate the allocation of 194 Southwest border inspection slots are awaiting the Commissioner's review.

As you know, an amendment in the House last year directed the Customs to beef up the Southwest border inspection points. What is the status of the allocation of these positions, and what has caused the delay in allocating these key positions in the Southwest?

Mr. DEANGELUS. Senator, I cannot answer you fully on that. We had the attempt, whenever possible, within planned budget levels, to put more people on the Southwest border. For example, we added people at Laredo, we are adding people at San Ysidro, we are reserving 58 for the border water crossing scheduled in December.

However, we have not filled up to the full $5 million allocation, because it would not be until October 1.

Senator ABDNOR. Would it authorize positions within Buxton?

Mr. DEANGELUS. I am sorry, that is not correct. The money is here in fiscal 1983, but then we have to reduce in fiscal 1984, and it would not be considerate of our employees to hire the employees, and then to let them go, or to move them and then let them go.

Senator ABDNOR. Well, are you saying then that these positions on the border have been not only requested, but insisted upon, I guess by language and the legislation, they are actually going to be filled by people that you move from other places then?

Mr. DEANGELUS. That was not our intention, Senator.

Senator ABDNOR. That is why you let these spots alone, because there is going to be cuts, these might be the very people that would have to go after you hired them, because people with seniority over them would take those positions?

Mr. DEANGELUS. That would be correct, Senator. We tried to readjust by moving customs people to positions which we hoped would still be available after October 1.

Senator ABDNOR. My next question is of Senator DeConcini.

When one examines the current personnel shortfalls in vacancies at Customs, 1,391 below the authorized ceilings, and then considers that you intend to further reduce personnel to 11,723 in fiscal 1984, it is clear that Customs will be devastated by personnel cutbacks if we approve the President's fiscal 1984 budget intact.

In fact, approval of the President's budget would mean a reduction in personnel of about 3,000 positions below Customs authorized fiscal year 1983 ceiling of 14,685.

The question, Mr. DeAngelus and Madam Secretary, is, do you honestly believe deep down that an agency that relies so heavily on having skilled personnel on hand, at our major ports of entry, at our airports, in the area of interdiction of drugs, can absorb almost a 20-percent cut below its fiscal 1983 authorized personnel ceiling, without virtually crippling its law enforcement mission and other important functions in trade facilitations, through Operation Exodus?

It is a simple question. Do you think you could sustain the 3,000-people reduction, and still do the things that you want to do, and we expect you to do, and Customs has been trying to do?

I guess it is kind of a summarized question of everything we have been talking about. What is your comment on that?

Ms. BEEBE. Mr. Chairman, I am not certain of the figures in the question you are reading on your proposal to the Congress to reduce by 1,775 positions, which translates into 1,744 full time equivalent positions.

Senator ABDNOR. Well, we have your authorized ceiling of—a grand total of 14,685, and we are told that you want to go to 11,723. So you would almost have to conclude that it is close to the 3,000. I mean from the authorization.

Ms. BEEBE. Excuse us a moment, Mr. Chairman. We cannot read our own writing, evidently.

Senator ABDNOR. Yes, you go right ahead.

[Pause.]

Ms. BEEBE. Without arguing the point, Mr. Chairman, on the specific number of positions, I believe we can submit the details. I would like to kind of review where we are with the position cuts, and to say that while I am not the operating manager of the Customs Service, and they can speak for themselves, I do think that the cuts are ones which the Customs Service can manage and still have an efficient, effective service.

There are really three categories of cuts. The first category of position cuts reflects areas where we are showing in the budget savings from policy decisions which were made in prior fiscal years, and that includes the decision to move to a bonded warehouse program, where most of those savings were accomplished in the prior fiscal year. In this year, 1984, we are removing the administrative personnel and certain other related positions.

Again, within that category, other savings are associated with the reduction in personnel from consolidations which have taken place, primarily from nine to seven regions. We think that without question we could accomplish those. They represent savings of policies that were taken in prior years.

A second category is where there are new and better ways for doing things, where we think that efficiencies are possible, regardless of whether you have budget cuts. In the area of centralized appraisement, for example, we believe that we can continue to provide quality service. Indeed, it will be a different arrangement, but we would continue to provide quality service by centralizing appraisement centers and reducing the number of locations. We only have 65 appraisement centers today. Obviously, for the bulk of the ports of the United States, we are managing to have their duty assessed in locations other than at the port. Also, we do have over 86 percent of all dutiable items coming in to certain locations, which will remain. So, we are talking about a very small percentage of the entries coming in where we are proposing to consolidate and move them to other ports.

In short, it sounds like a bigger problem than it is. It has obviously important consequences for the individuals concerned, it requires certain importers to make other arrangements, and there will be some stops and starts, but from a management point of view we think it makes good sense.

The other two areas are the most difficult to justify. They are the ones where our plans are not as developed as we would like them, and where there are differences of opinion about the impact on the customers and clients that we serve in the areas of inspection and control and tariffs and trade. We believe that if these reductions are sustained by the Congress, that we will in the next 6 to 9 months develop a plan which will minimize the impact on the people whom we deal with.

We will continue to look at automation; we are continuing this year to pilot test selectivity procedures and automated processes. We have time to continue to develop these areas.

Postaudit techniques have proven to be effective in other areas, and indeed they are effective in certain areas now. We see where they can be extended further, as Mr. DeAngelus has mentioned earlier, including such things as a modified red door/green door. We feel that we can manage to accommodate these reductions and minimize, although not completely eliminate, any negative impact on the people whom we deal with.

Senator ABDNOR. Well, thank you, Madam Secretary. Your answer then is very definitely that this can be done. That we can cut the 20 percent without crippling law enforcement mission or other important functions.

Do you want to try that, Mr. DeAngelus? You are in the working field, how you feel—you are satisfied, the airports, seaports, borders, and all are going to be well taken care of? What is your general—I know it is tough. I am giving you a mean question.

Ms. BEEBE. It is not fair to combine all these reductions into one category.

Senator ABDNOR. It is not fair. Well——

Mr. DEANGELUS. Mr. Chairman, I support the views of the Assistant Secretary, and I will do everything I can to effect these reductions, or we will have a new Deputy Commissioner.

Senator ABDNOR. Thank you.

One final question. I love studies, but with all the studies being done, the economies are necessary to free up people.

Has any discussion been held with INS? You said there have. Agricultural, regarding—or regarding agricultural, too, regarding consolidation. Has this been given a lot of——

Mr. DEANGELUS. Our main efforts have been with the Immigration Service. We have talked only very sparingly with the Agriculture Department.

But needless to say, our proposals have not met with much enthusiasm at either of these agencies.

Senator ABDNOR. Well, this is—I mean, it is something that I think everybody has to work together on, this thing. Maybe it is sometbing more that we will have to go into further.

You have been here quite a while. It is now 12 o'clock.

We appreciate your being here, and being cooperative on this, and I know there is going to be questions, additional questions that we want to ask, and we want to work with you on this.

Mr. Stockman is going to be with us Wednesday, and I think we will probably have the same subject again to some degree. I certainly want to visit with him about this reduction.

CONCLUSION OF HEARING

So I am sure this is not the last time we are going to be together. It is always a pleasure to have you, and we look forward to seeing you again, and this committee stands in recess until next Wednesday, at which time the meeting will be at 10 o'clock in the morning, in S-126 of the Capitol. That hearing will be over there.

So with that, we will be in recess until 10 o'clock, Wednesday, where we will be in S-126.

[Whereupon, at 12 noon, Monday, April 25, the hearing was concluded, and the subcommittee was recessed, to reconvene at 10 p.m., Wednesday, May 4.]

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